

ANNUAL STATEMENT

OF THE

Volunteer State Health Plan, Inc.

of

Chattanooga

in the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

FOR THE YEAR ENDED
DECEMBER 31, 2002

ANNUAL STATEMENT

For the Year Ending December 31, 2002

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	Employer's ID Number	62-1656610
	(Current Period)	(Prior Period)			
Organized under the Laws of	Tennessee	State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[]	Property/Casualty[]	Hospital, Medical & Dental Service or Indemnity[]		
	Dental Service Corporation[]	Vision Service Corporation[]	Health Maintenance Organization[X]		
	Other[]	Is HMO Federally Qualified? Yes[] No[X]			
Date Incorporated or Organized	07/11/1996	Date Commenced Business	11/01/1996		
Statutory Home Office	801 Pine Street	Chattanooga, TN 37402			
	(Street and Number)	(City, or Town, State and Zip Code)			
Main Administrative Office	801 Pine Street	Chattanooga, TN 37402	(423)755-5600		
	(Street and Number)	(City or Town, State and Zip Code)	(Area Code) (Telephone Number)		
Mail Address	801 Pine Street	Chattanooga, TN 37402			
	(Street and Number or P.O. Box)	(City, or Town, State and Zip Code)			
Primary Location of Books and Records	801 Pine Street	Chattanooga, TN 37402	(423)755-5600		
	(Street and Number)	(City, or Town, State and Zip Code)	(Area Code) (Telephone Number)		
Internet Website Address	www.bcbst.com				
Statement Contact	Linda Farah Snell, 2002	(423)763-3130			
	(Name)	(Area Code)(Telephone Number)(Extension)			
	Linda_Snell@bcbst.com	(423)752-8331			
	(E-Mail Address)	(Fax Number)			
Policyowner Relations Contact	801 Pine Street	Chattanooga, TN 37402	(423)755-5600		
	(Street and Number)	(City, or Town, State and Zip Code)	(Area Code) (Telephone Number)(Extension)		

OFFICERS

President & CEO	Ronald Ellis Harr
Secretary	John Linville Shull
Treasurer	David Lee Deal
Assistant Secretary	Shelia Dian Clemons
Assistant Treasurer	Harold Hoke Cantrell

DIRECTORS OR TRUSTEES

Ronald Ellis Harr	Vicky Brown Gregg
David Lee Deal	Joan Carol Harp

State of Tennessee
County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Ronald Ellis Harr	John Linville Shull	David Lee Deal
(Printed Name)	(Printed Name)	(Printed Name)
President & CEO	Secretary	Treasurer
	a. Is this an original filing?	Yes[] No[X]
	b. If no,	1
	1. State the amendment number	07/31/2003
	2. Date filed	4
	3. Number of pages attached	

Subscribed and sworn to before me this
day of , 2003

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1.	Bonds	19,994,049		19,994,049	28,902,575
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances)			(a).....	
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$....(11,932,928), Schedule E - Part 1) and short-term investments (\$.....42,076,930, Schedule DA - Part 2)	30,144,002		30,144,002	175,563,482
6.	Other long-term invested assets				
7.	Receivable for securities				
8.	Aggregate write-ins for invested assets				
9.	Subtotal, cash and invested assets (Lines 1 to 8)	50,138,051		50,138,051	204,466,057
10.	Accident and health premiums due and unpaid				2,426,388
11.	Health care receivables	5,011,326	4,994,800	16,526	4,740,605
12.	Amounts recoverable from reinsurers				
13.	Net adjustment in assets and liabilities due to foreign exchange rates				
14.	Investment income due and accrued	447,631		447,631	885,997
15.	Amounts due from parent, subsidiaries and affiliates				1,010,816
16.	Amounts receivable relating to uninsured accident and health plans	2,115,149		2,115,149	2,239,147
17.	Furniture and equipment				
18.	Amounts due from agents				
19.	Federal and foreign income tax recoverable and interest thereon (including \$.....1,702,272 net deferred tax asset)	2,675,046	972,774	1,702,272	4,522,351
20.	Electronic data processing equipment and software				
21.	Other nonadmitted assets				
22.	Aggregate write-ins for other than invested assets				
23.	Total assets (Lines 9 plus 10 through 22)	60,387,203	5,967,574	54,419,629	220,291,361
DETAILS OF WRITE-INS					
0801	.....			
0802	.....			
0803	.....			
0898.	Summary of remaining write-ins for Line 8 from overflow page				
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above)				
2201	.....			
2202	.....			
2203	.....			
2298.	Summary of remaining write-ins for Line 22 from overflow page				
2299.	TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)				

(a) \$..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	1,556,385		1,556,385	87,255,562
2.	Accrued medical incentive pool and bonus payments				7,132,790
3.	Unpaid claims adjustment expenses				2,986,954
4.	Aggregate policy reserves				
5.	Aggregate claim reserves				3,373,495
6.	Premiums received in advance				
7.	General expenses due or accrued	735,405		735,405	2,899,215
8.	Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$..... net deferred tax liability)				
9.	Amounts withheld or retained for account of others				
10.	Borrowed money (including \$..... current) and interest thereon \$..... (including\$..... current)				
11.	Amounts due to parent, subsidiaries and affiliates	175,752		175,752	
12.	Payable to securities				
13.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers				
14.	Reinsurance in unauthorized companies				
15.	Net adjustments in assets and liabilities due to foreign exchange rates				
16.	Liability for amounts held under uninsured accident and health plans	6,041,003		6,041,003	2,249,673
17.	Aggregate write-ins for other liabilities (including \$..... current)	11,237,947		11,237,947	49,697,816
18.	Total liabilities (Lines 1 to 17)	19,746,492		19,746,492	155,595,505
19.	Common capital stock	X X X	X X X	100,000	100,000
20.	Preferred capital stock	X X X	X X X		
21.	Gross paid in and contributed surplus	X X X	X X X		20,725,000
22.	Surplus notes	X X X	X X X		
23.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
24.	Unassigned funds (surplus)	X X X	X X X	34,573,137	43,870,856
25.	Less treasury stock, at cost:	X X X	X X X		
25.1	..... shares common (value included in Line 19 \$.....)	X X X	X X X		
25.2	..... shares preferred (value included in Line 20 \$.....)	X X X	X X X		
26.	Total capital and surplus (Lines 19 to 25)	X X X	X X X	34,673,137	64,695,856
27.	Total liabilities, capital and surplus (Lines 18 and 26)	X X X	X X X	54,419,629	220,291,361
DETAILS OF WRITE-INS					
1701.	Due State of Tennessee	6,461,647		6,461,647	
1702.	Stale Dated Checks	1,495,620		1,495,620	880,534
1703.	Contingent Legal Liability	1,450,000		1,450,000	
1798.	Summary of remaining write-ins for Line 17 from overflow page	1,830,680		1,830,680	48,817,282
1799.	TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above)	11,237,947		11,237,947	49,697,816
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,727,303	5,346,473
2.	Net premium income	X X X	290,620,958	861,548,883
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate Write-Ins for Other health care related revenues	X X X		(13,858,271)
7.	Total revenues (Lines 2 to 6)	X X X	290,620,958	847,690,612
Medical and Hospital:				
8.	Hospital/medical benefits		176,409,127	493,535,184
9.	Other Professional Services		26,294,741	76,326,966
10.	Outside Referrals			
11.	Emergency room and out-of-area		7,396,270	15,766,154
12.	Prescription drugs		70,058,513	152,825,822
13.	Aggregate write-ins for other medical and hospital		7,435,050	2,341,146
14.	Incentive pool and withhold adjustments		(4,006,640)	7,132,790
15.	Subtotal (Lines 8 to 14)		283,587,061	747,928,062
LESS:				
16.	Net reinsurance recoveries			
17.	Total medical and hospital (Lines 15 minus 16)		283,587,061	747,928,062
18.	Claims adjustment expenses		16,846,910	50,179,115
19.	General administrative expenses		13,783,835	41,055,640
20.	Increase in reserves for accident and health contracts			
21.	Total underwriting deductions (Lines 17 through 20)		314,217,806	839,162,817
22.	Net underwriting gain or (loss) (Lines 7 minus 21)	X X X	(23,596,848)	8,527,795
23.	Net investment income earned		2,759,858	12,603,185
24.	Net realized capital gains or (losses)		(26,482)	(149,723)
25.	Net investment gains or (losses) (Lines 23 plus 24)		2,733,376	12,453,462
26.	Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
27.	Aggregate write-ins for other income or expenses			
28.	Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27)		(20,863,472)	20,981,257
29.	Federal and foreign income taxes incurred	X X X	(8,396,968)	4,412,156
30.	Net income (loss) (Lines 28 minus 29)	X X X	(12,466,504)	16,569,101
DETAILS OF WRITE-INS				
0601.	GME & Essential Provider Payment Revenues	X X X	105,102,042	158,642,351
0602.	Essential Provider Pmt, Essential Access Pmt & Associated Premium Taxes	X X X	(45,918,368)	(111,703,575)
0603.	GME Payment & Associated Premium Taxes	X X X	(59,183,674)	(46,938,776)
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		(13,858,271)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		(13,858,271)
1301.	Exigency Post-Settlement Activity		8,592,878	2,341,146
1302.	BHO SubCapitation		(1,157,828)	
1303.	.....		
1398.	Summary of remaining write-ins for Line 13 from overflow page			
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)		7,435,050	2,341,146
2701.	.....		
2702.	.....		
2703.	.....		
2798.	Summary of remaining write-ins for Line 27 from overflow page			
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
31.	Capital and surplus prior reporting year	64,695,856	68,814,360
GAINS AND LOSSES TO CAPITAL & SURPLUS			
32.	Net income or (loss) from Line 30	(12,466,504)	16,569,101
33.	Change in valuation basis of aggregate policy and claim reserves		
34.	Net unrealized capital gains and losses		
35.	Change in net unrealized foreign exchange capital gain or (loss)		
36.	Change in net deferred income tax	(3,119,172)	5,794,218
37.	Change in nonadmitted assets	6,287,958	3,035,223
38.	Change in unauthorized reinsurance		
39.	Change in treasury stock		
40.	Change in surplus notes		
41.	Cumulative effect of changes in accounting principles		(7,517,047)
42.	Capital Changes:		
42.1	Paid in		
42.2	Transferred from surplus (Stock Dividend)		
42.3	Transferred to surplus		
43.	Surplus adjustments:		
43.1	Paid in	(20,725,000)	(22,000,000)
43.2	Transferred to capital (Stock Dividend)		
43.3	Transferred from capital		
44.	Dividends to stockholders		
45.	Aggregate write-ins for gains or (losses) in surplus	(1)	1
46.	Net change in capital and surplus (Lines 32 to 45)	(30,022,719)	(4,118,504)
47.	Capital and surplus end of reporting year (Line 31 plus 46)	34,673,137	64,695,856
DETAILS OF WRITE-INS			
4501.	Rounding	(1)	1
4502	.....	
4503	.....	
4598.	Summary of remaining write-ins for Line 45 from overflow page		
4599.	TOTALS (Lines 4501 through 4503 plus 4598) (Line 45 above)	(1)	1

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance	293,047,346	860,218,341
2.	Claims and claims adjustment expenses	399,626,387	862,364,396
3.	General administrative expenses paid	15,947,645	43,916,829
4.	Other underwriting income (expenses)		(13,858,271)
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(122,526,686)	(59,921,155)
6.	Net investment income	3,711,937	13,879,466
7.	Other income (expenses)		
8.	Federal and foreign income taxes (paid) recovered	11,217,047	(8,934,507)
9.	Net cash from operations (Line 5 to 8)	(107,597,702)	(54,976,196)
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1	Bonds	40,026,750	40,685,000
10.2	Stocks		
10.3	Mortgage loans		
10.4	Real estate		
10.5	Other invested assets		
10.6	Net gains or (losses) on cash and short-term investments		
10.7	Miscellaneous proceeds		
10.8	Total investment proceeds (Lines 10.1 to 10.7)	40,026,750	40,685,000
11.	Cost of investments acquired (long-term only):		
11.1	Bonds	31,658,420	28,913,250
11.2	Stocks		
11.3	Mortgage loans		
11.4	Real estate		
11.5	Other invested assets		
11.6	Miscellaneous applications		
11.7	Total investments acquired (Lines 11.1 to 11.6)	31,658,420	28,913,250
12.	Net cash from investments (Line 10.8 minus Line 11.7)	8,368,330	11,771,750
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1	Surplus notes, capital and surplus paid in	(20,725,000)	(22,000,000)
13.2	Net transfers from affiliates	1,186,568	
13.3	Borrowed funds received		
13.4	Other cash provided	11,808,193	28,368,153
13.5	Total (Lines 13.1 to 13.4)	(7,730,239)	6,368,153
14.	Cash applied:		
14.1	Dividends to stockholder paid		
14.2	Net transfers to affiliates		2,144,479
14.3	Borrowed funds repaid		
14.4	Other applications	38,459,869	2,239,147
14.5	Total (Lines 14.1 to 14.4)	38,459,869	4,383,626
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(46,190,108)	1,984,527
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(145,419,480)	(41,219,919)
17.	Cash and short-term investments:		
17.1	Beginning of year	175,563,482	216,783,401
17.2	End of year (Line 16 plus Line 17.1)	30,144,002	175,563,482

This is a Work Paper Page to gather information according to the NAIC Instructions
(Do NOT include this page in the copy of your Annual Statement that is filed.)

DEVELOPMENT DATA WORKPAGES FOR "CASH FLOW"

Use the COMPANY ADJUSTMENT AMOUNT lines to adjust any line(s) on the Cash Flow page.

		CY Cash Flow
1.	Premiums and Revenues Collected Net of Reinsurance:	
1.A	(+) Underwriting & Investment Exhibit, Part 1, Line 9, Column 4 => Net premium income, Totals	290,620,958
1.B	(+) Page 4, Statement of Revenue and Expenses, Line 4, Column 2 => Fee-for-service, net of medical expenses	
1.C	(+) Page 4, Statement of Revenue and Expenses, Line 5, Column 2 => Risk revenue	
1.D	(+) Page 2, Assets, Line 10, Column 4 (PY) => Accident and health premiums due and unpaid	2,426,388
1.E	(-) Page 2, Assets, Line 10, Column 3 (CY) => Accident and health premiums due and unpaid	
1.F	(+) Prior Year Page 2, Assets, Line 10, Column 2 => Accident and health premiums due and unpaid, non-admitted, prior	
1.G	(-) Page 2, Assets, Line 10, Column 2 (CY) => Accident and health premiums due & unpaid, non-admitted	
1.H	Subtotal (Lines 1.A + 1.B + 1.C + 1.D - 1.E + 1.F - 1.G)	293,047,346
1.I	COMPANY ADJUSTMENT AMOUNT (Line 1)	
1.J	TOTAL (Line 1.H + 1.I) = (CASH FLOW LINE 1) => Premiums and Revenues Collected Net of Reinsurance	293,047,346
2.	Claims & Claims Adjustment Expenses:	
2.A	(+) Underwriting & Investment Exhibit, Part 2, Line 1.4, Column 1 => Net claims paid	376,666,373
2.B	(+) Underwriting & Investment Exhibit, Part 2, Line 2, Column 1 => Paid medical incentive pools and bonuses	3,126,150
2.C	(+) Page 2, Assets, Line 12, Column 3 (CY) => Amounts recoverable from reinsurers, admitted	
2.D	(-) Page 2, Assets, Line 12, Column 4 (PY) => Amounts recoverable from reinsurers, admitted	
2.E	(+) Prior Year Page 2, Assets, Line 12, Column 2 (PY) => Amounts recoverable from reinsurers, non-admitted, prior	
2.F	(-) Page 2, Assets, Line 12, Column 2 (CY) => Amounts recoverable from reinsurers, non-admitted	
2.G	(+) Underwriting & Investment Exhibit, Part 3, Line 31, Column 1 => Total, Claim adjustment expenses paid	19,833,864
2.H	Subtotal (Line 2.A + 2.B + 2.C - 2.D + 2.E - 2.F + 2.G)	399,626,387
2.I	COMPANY ADJUSTMENT AMOUNT (Line 2)	
2.J	TOTAL (Line 2.H + 2.I) = (CASH FLOW LINE 2) => Claims and Claims Adjustment Expense	399,626,387
3.	General Administrative Expenses Paid:	
3.A	(+) Underwriting & Investment Exhibit, Part 3, Line 31, Column 2 => Total, General administrative expenses paid	15,947,645
3.B	COMPANY ADJUSTMENT AMOUNT (Line 3)	
3.C	TOTAL (Lines 3.A + 3.B) = (CASH FLOW LINE 3) => General administrative expenses paid	15,947,645
4.	Other Underwriting Income (Expenses):	
4.A	This item is to be used to report any amounts included in Page 4, Lines 2 and 4 through 19, adjusted to a cash basis, that have not been included in Lines 1 through 3 above.	
4.B	COMPANY ADJUSTMENT AMOUNT (Line 4)	
4.C	TOTAL (Lines 4.A + 4.B) = (CASH FLOW LINE 4) => Other Underwriting Income (Expenses)	
5.	Cash from Underwriting (Lines 1.J - 2.J - 3.C + 4.C) => (CASH FLOW LINE 5)	(122,526,686)
6.	Net Investment Income:	
6.A	(+) Exhibit of Net Investment Income, Line 10, Column 1 => Total gross investment income	3,547,016
6.B	(+) Exhibit of Net Investment Income, Footnote a => Amortization of premium on bonds	513,714
6.C	(+) Exhibit of Net Investment Income, Footnote b => Amortization of premium on preferred stocks	
6.D	(+) Exhibit of Net Investment Income, Footnote c => Amortization of premium on mortgage loans	
6.E	(+) Exhibit of Net Investment Income, Footnote f => Amortization of premium on derivative instruments	
6.F	(-) Exhibit of Net Investment Income, Footnote a => Accrual of discount on bonds	
6.G	(-) Exhibit of Net Investment Income, Footnote b => Accrual of discount on preferred stocks	
6.H	(-) Exhibit of Net Investment Income, Footnote c => Accrual of discount on mortgage loans	
6.I	(-) Exhibit of Net Investment Income, Footnote f => Accrual of discount on derivative instruments	
6.J	(-) Underwriting & Investment Exhibit, Part 3, Line 31, Column 3 => Investment expenses, Total expenses paid	41,507
6.K	(-) Exhibit of Net Investment Income, Line 13 => Interest expense	
6.L	(-) Exhibit of Net Investment Income, Line 15 => Other deductions, adjusted to a cash basis	307,285
6.M	Subtotal (Lines 6.A + 6.B + 6.C + 6.D + 6.E - 6.F - 6.G - 6.H - 6.I - 6.J - 6.K - 6.L)	3,711,938
6.N	COMPANY ADJUSTMENT AMOUNT (Line 6)	(1)
6.O	TOTAL (Lines 6.M + 6.N) = (CASH FLOW LINE 6) => Net Investment Income	3,711,937
7.	Other Income (Expenses):	
7.A	(+) Page 4, Statement of Revenue and Expenses, Line 26, Column 2 (CY) => Net gain or (loss) from agents' or premium balances charged off	
7.B	(+) Page 4, Statement of Revenue and Expenses, Line 27, Column 2 (CY) =>Aggregate write-ins for other income or expenses	
7.C	Subtotal (Lines 7.A + 7.B)	
7.D	COMPANY ADJUSTMENT AMOUNT (Line 7)	
7.E	TOTAL (Lines 7.C + 7.D) = (CASH FLOW LINE 7) => Other Income (Expenses)	
8.	Federal and Foreign Income Taxes (Paid) Recovered:	
8.A	(-) Page 4, Statement of Revenue and Expenses, Line 29, Column 2 (CY) => Federal and Foreign Income Taxes Incurred	(8,396,968)
8.B	(-) Page 2, Assets, Line 19, Column 3 (CY) => Federal and Foreign Income Tax Recoverable & Interest Thereon (excluding deferred)	
8.C	(+) Page 2, Assets, Line 19, Column 4 (PY) => Federal and Foreign Income Tax Recoverable & Interest Thereon (excluding deferred)	4,522,351
8.D	(-) Page 3, Liabilities, Line 8, Column 4 (PY) => Federal and Foreign Income Tax Payable and Interest Thereon (excluding deferred)	
8.E	(+) Page 3, Liabilities, Line 8, Column 3 (CY) => Federal and Foreign Income Tax Payable and Interest Thereon (excluding deferred)	
8.F	Subtotal (Lines 8.A - 8.B + 8.C - 8.D + 8.E)	12,919,319
8.G	COMPANY ADJUSTMENT AMOUNT (Line 8)	(1,702,272)
8.H	TOTAL (Lines 8.F + 8.G) = (CASH FLOW LINE 8) => Federal and Foreign Income Taxes (Paid) Recovered	11,217,047
9.	Net Cash from Operations (Lines 5 + 6.O + 7.E + 8.H) => (CASH FLOW LINE 9)	(107,597,702)

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DEVELOPMENT DATA WORKPAGES FOR "CASH FLOW"

Use the COMPANY ADJUSTMENT AMOUNT lines to adjust any line(s) on the Cash Flow page.

		CY Cash Flow
10.	Proceeds from Investments SOLD, MATURED or REPAID:	
10.1	Bonds:	
10.1A	Bonds (Schedule D, Part 4, Line 6099999, Column 6) => Consideration, Total Bonds Part 4	40,026,750
10.1B	COMPANY ADJUSTMENT AMOUNT (Line 10.1)	
10.1C	TOTAL (Lines 10.1A + 10.1B) = (CASH FLOW LINE 10.1) => Bonds	40,026,750
10.2	Stocks:	
10.2A	Stocks (Schedule D, Part 4, Line 7199999, Column 6) => Consideration, TOTAL Stocks Part 4	
10.2B	COMPANY ADJUSTMENT AMOUNT (Line 10.2)	
10.2C	TOTAL (Lines 10.2A + 10.2B) = (CASH FLOW LINE 10.2) => Stocks	
10.3	Mortgage Loans:	
10.3A	(+) Schedule B, Verification, Line 6 => Amounts Paid on Account or In Full During the Year	
10.3B	COMPANY ADJUSTMENT AMOUNT (line 10.3)	
10.3C	TOTAL (line 10.3A + 10.3B) = CASH FLOW LINE 10.3) = > Mortgage Loans	
10.4	Real Estate:	
10.4A	(+) Schedule A, Verification, Line 7=> Amounts Received on Sales	
10.4B	COMPANY ADJUSTMENT AMOUNT (Line 10.4)	
10.4C	TOTAL (Lines 10.4A + 10.4B) = (CASH FLOW LINE 10.4) => Real Estate	
10.5	Other Invested Assets:	
10.5A	(+) Schedule BA, Verification, Line 6 => Amounts paid on account or in full during the year	
10.5B	COMPANY ADJUSTMENT AMOUNT (Line 10.5)	
10.5C	TOTAL (Lines 10.5A + 10.5B) = (CASH FLOW LINE 10.5) => Other Invested Assets	
10.6	Net Gains or (Losses) on Cash & Short-Term Investments:	
10.6A	(+) Exhibit of Capital Gains and Losses, Line 6, Column 1 => Cash/Short-Term Investments, Realized Gain (Loss) on SALES or MATURITY	
10.6B	(+) Exhibit of Capital Gains and Losses, Line 6, Column 2 => Cash/Short-Term Investments, Other Realized Adjustments	
10.6C	Subtotal (Lines 10.6A + 10.6B)	
10.6D	COMPANY ADJUSTMENT AMOUNT (Line 10.6)	
10.6E	TOTAL (Lines 10.6C + 10.6D) = (CASH FLOW LINE 10.6) => Net Gains or (Loss) on Cash & Short-Term Investments	
10.7	Miscellaneous Proceeds:	
10.7A	Include Cash Flow from Derivative Transaction Activities Reported in Schedule DB with Net Positive Amounts Included on this Line and Net Negative Amounts Included on Line 11.6	
10.7B	(+) Page 2, Assets, Line 7, Column 4 (PY) => Receivable from Securities	
10.7C	(-) Page 2, Assets, Line 7, Column 3 (CY) => Receivable from Securities	
10.7D	Schedule DB Part B, Section 2, Column 7 => Consideration Received for Options, Caps & Floors WRITTEN During Year	
10.7E	Schedule DB Part A, Section 3, Column 12 => Consideration Received on TERMINATION of Options, Caps & Floors	
10.7F1	(+) Schedule DB, Part D, Section 1, Column 6 (CY) => Variation Margin (Futures Contracts OPEN December 31 CY)	
10.7F2	(-) PYAS Schedule DB, Part D, Section 1, Column 6 (PYAS) => Variation Margin (Futures Contracts OPEN December 31 PY)	
10.7F3	(+) Schedule DB, Part D, Section 3, Column 6 (CY) => Variation Margin (Futures Contracts TERMINATED During CY)	
10.7F4	(-) Schedule DB, Part D, Verification, Line 4 (CY)	
10.7F5	Subtotal (Lines 10.7F1 - 10.7F2 + 10.7F3 - 10.7F4) (NOTE: If the net impact was a COST, include on Line 11.6F1 - Miscellaneous Applications)	
10.7F6	COMPANY ADJUSTMENT AMOUNT (Line 10.7F)	
10.7F7	TOTAL Line 10.7F (Lines 10.7F5 + 10.7F6)	
10.7G	TOTAL Increases (Lines 10.7A + 10.7B - 10.7C + 10.7D + 10.7E + 10.7F7)	
10.7H1	(+) Schedule DB, Part A, Section 1, Column 13 => TOTAL used to Adjust Basis of Hedged Item (Options, Caps, & Floors OWNED Dec.31 of CY)	
10.7H2	(-) Schedule DB, Part B, Section 1, Column 13 => TOTAL used to Adjust Basis (Options, Caps & Floors WRITTEN & IN FORCE December 31 of CY)	
10.7H3	(+) Schedule DB, Part C, Section 1, Column 13 => TOTAL used to Adjust Basis of Hedged Item (Collar, Swap & Forward Agreements OPEN December 31 of CY)	
10.7H4	(-) Schedule DB, Part A, Section 3, Column 15 => TOTAL used to Adjust Basis of Hedged Item (Gain (Loss) on TERMINATION)(OWNED Options, Caps, & Floors TERMINATED During CY)	
10.7H5	(-) Schedule DB, Part B, Section 3, Column 15 => TOTAL used to Adjust Basis (Gain (Loss) on TERMINATION) (WRITTEN Options, Caps & Floors TERMINATED During CY)	
10.7H6	(-) Schedule DB, Part C, Section 3, Column 15 => TOTAL used to Adjust Basis of Hedged Item (Gain(Loss) on TERMINATION (Collar, Swap & Forward Agreements TERMINATED During CY)	
10.7H7	(-) Schedule DB, Part D, Section 1, Column 11 => TOTAL used to Adjust Basis of Hedged Item (Variation Margin Information) (Futures Contracts OPEN December 31 of CY)	
10.7H8	(-) Schedule DB, Part D, Section 3, Column 12 => TOTAL Gain\Loss) used to Adjust Basis of Hedged Item (Futures Contracts TERMINATED During CY)	
10.7H9	Net Adjustment to Net Increase or (Decrease) (Lines 10.7H1 - 10.7H2 + 10.7H3 - 10.7H4 - 10.7H5 - 10.7H6 - 10.7H7 - 10.7H8)	
10.7I	Subtotal Increases (Lines 10.7G + 10.7H9)	
10.7J	COMPANY ADJUSTMENT AMOUNT (Line 10.7)	
10.7K	TOTAL (Lines 10.7I + 10.7J) => (CASH FLOW LINE 10.7) Miscellaneous Proceeds	

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DEVELOPMENT DATA WORKPAGES FOR "CASH FLOW"

Use the COMPANY ADJUSTMENT AMOUNT lines to adjust any line(s) on the Cash Flow page.

		CY Cash Flow
10.8	TOTAL Investment Proceeds (Lines 10.1C + 10.2C + 10.3C + 10.4C + 10.5C + 10.6E + 10.7K) => (CASH FLOW LINE 10.8) = (Lines 10.1 to 10.7)	40,026,750
11.	Cost of Investments Acquired (Long-Term Only):	
11.1	Bonds:	
11.1A	Schedule D, Part 3, Line 6099999, Column 6 => Bonds Part 3, Actual Cost	31,658,420
11.1B	COMPANY ADJUSTMENT AMOUNT (Line 11.1)	
11.1C	TOTAL (Lines 11.1A + 11.1B) => (CASH FLOW LINE 11.1) Bonds	31,658,420
11.2	Stocks:	
11.2A	Schedule D, Part 3, Line 7199999, Column 6 => Stocks Part 3, Actual Cost	
11.2B	COMPANY ADJUSTMENT AMOUNT (Line 11.2)	
11.2C	TOTAL (Lines 11.2A + 11.2B) => (CASH FLOW LINE 11.2) Stocks	
11.3	Mortgage Loans:	
11.3A	Schedule B, Verification, Line 2.2, Column 2 => Amount Loaned During Year	
11.3B	COMPANY ADJUSTMENT AMOUNT (Line 11.3)	
11.3C	TOTAL (Lines 11.3A + 11.3B) => (CASH FLOW LINE 11.3) Mortgage Loans	
11.4	Real Estate:	
11.4A	(+) Schedule A, Part 2, Total, Column 6 => Actual cost (Real Estate)	
11.4B	(+) Schedule A, Verification, Line 4.1 + 4.2 => Cost of Additions and Permanent Improvements	
11.4C	(+) Decrease in Encumbrances if Not Included in Sources Referenced	
11.4D	Subtotal (Lines 11.4A + 11.4B + 11.4C)	
11.4E	COMPANY ADJUSTMENT AMOUNT (Line 11.4)	
11.4F	TOTAL (Lines 11.4D + 11.4E) = (CASH FLOW LINE 11.4) => Real Estate	
11.5	Other Invested Assets:	
11.5A	Schedule BA, Verification, Line 2.1 + 2.2 => Cost of Acquisitions During Year	
11.5B	COMPANY ADJUSTMENT AMOUNT (Line 11.5)	
11.5C	TOTAL (Lines 11.5A + 11.5B) = (CASH FLOW LINE 11.5) => Other Invested Assets	
11.6	Miscellaneous Applications: (See instructions for Line 10.7)	
11.6A	Include Cash Flow from Derivative Transaction Activities Reported in Schedule DB with Net Negative Amounts Included on this Line and Net Positive Amounts Included on Line 10.7	
11.6B	(+) Page 3, Liabilities, Line 12, Column 4 (PY) => Payable for Securities	
11.6C	(-) Page 3, Liabilities, Line 12, Column 3 (CY) => Payable for Securities	
11.6D	Schedule DB Part A, Section 2, Column 7 => Cost/Option Premium of Options, Caps & Floors Acquired During Year	
11.6E	Schedule DB Part B, Section 3, Column 12 => Consideration Paid on TERMINATION of Options, Caps & Floors	
	11.6F1 Amount from Line 10.7F5, if negative	
	11.6F2 COMPANY AMOUNT ADJUSTMENT (Line 11.6F)	
	11.6F3 Total Line 11.6F (Line 11.6F1 + 11.6F2)	
11.6G	Total Decreases (Lines 11.6A + 11.6B - 11.6C + 11.6D + 11.6E + 11.6F3)	
	11.6H1 (+) Schedule DB, Part A, Section 1, Column 13 => TOTAL used to Adjust Basis of Hedged Item (Options, Caps, & Floors OWNED Dec.31 of CY)	
	11.6H2 (-) Schedule DB, Part B, Section 1, Column 13 => TOTAL used to Adjust Basis (Options, Caps & Floors WRITTEN & IN FORCE December 31 of CY)	
	11.6H3 (+) Schedule DB, Part C, Section 1, Column 13 => TOTAL used to Adjust Basis of Hedged Item (Collar, Swap & Forward Agreements OPEN December 31 of CY)	
	11.6H4 (-) Schedule DB, Part A, Section 3, Column 15 => TOTAL used to Adjust Basis of Hedged Item (Gain (Loss) on TERMINATION)(OWNED Options, Caps, & Floors TERMINATED During CY)	
	11.6H5 (-) Schedule DB, Part B, Section 3, Column 15 => TOTAL used to Adjust Basis (Gain (Loss) on TERMINATION) (WRITTEN Options, Caps & Floors TERMINATED During CY)	
	11.6H6 (-) Schedule DB, Part C, Section 3, Column 15 => TOTAL used to Adjust Basis of Hedged Item (Gain\Loss) on TERMINATION (Collar, Swap & Forward Agreements TERMINATED During CY)	
	11.6H7 (-) Schedule DB, Part D, Section 1, Column 11 => TOTAL used to Adjust Basis of Hedged Item (Variation Margin Information) (Futures Contracts OPEN December 31 of CY)	
	11.6H8 (-) Schedule DB, Part D, Section 3, Column 12 => TOTAL Gain\Loss used to Adjust Basis of Hedged Item (Futures Contracts TERMINATED During CY)	
	11.6H9 Net Adjustment to Net Increase or (Decrease) (Lines 11.6H1 - 11.6H2 + 11.6H3 - 11.6H4 - 11.6H5 - 11.6H6 - 11.6H7 - 11.6H8)	
	11.6I Subtotal (Lines 11.6G + 11.6H9)	
	11.6J COMPANY AMOUNT ADJUSTMENT (Line 11.6)	
	11.6K TOTAL (Lines 11.6I + 11.6J) = (CASH FLOW LINE 11.6) => Miscellaneous Applications	
11.7	TOTAL Investments Acquired (Lines 11.1C + 11.2C + 11.3C + 11.4F + 11.5C + 11.6K) => (CASH FLOW LINE 11.7) = (Lines 11.1 to 11.6)	31,658,420

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DEVELOPMENT DATA WORKPAGES FOR "CASH FLOW"

Use the COMPANY ADJUSTMENT AMOUNT lines to adjust any line(s) on the Cash Flow page.

		CY Cash Flow
12.	Net Cash from Investments (Lines 10.8 - 11.7) = (CASH FLOW LINE 12) => (Lines 10.8 - 11.7)	8,368,330
13.	Cash provided:	
13.1	Surplus Notes, Capital and Surplus Paid In:	
13.1A	(+) Page 5, Statement of Revenue and Expenses, Line 40, Column 1 (CY) => Change in Surplus Notes	
13.1B	(+) Page 5, Statement of Revenue and Expenses, Line 42.1, Column 1 (CY) => Capital Paid In	
13.1C	(+) Page 5, Statement of Revenue and Expenses, Line 43.1, Column 1 (CY) => Surplus Adjustments Paid In	(20,725,000)
13.1D	Subtotal (Lines 13.1A + 13.1B + 13.1C)	(20,725,000)
13.1E	COMPANY ADJUSTMENT AMOUNT (Line 13.1)	
13.1F	TOTAL (Lines 13.1D + 13.1E) = (CASH FLOW LINE 13.1) => Surplus Notes, Capital and Surplus Paid In	(20,725,000)
13.2	Net Transfers From Affiliates:	
13.2A	(+) Page 2, Assets, Line 15, Column 4 (PY) => Amounts Due from Parent, Subsidiaries and Affiliates	1,010,816
13.2B	(-) Page 2, Assets, Line 15, Column 3 (CY) => Amounts Due from Parent, Subsidiaries and Affiliates	
13.2C	(+) Page 3, Liabilities, Line 11, Column 3 (CY) => Amounts Due to Parent, Subsidiaries and Affiliates	175,752
13.2D	(-) Page 3, Liabilities, Line 11, Column 4 (PY) => Amounts Due to Parent, Subsidiaries and Affiliates	
13.2E	Subtotal (Lines 13.2A - 13.2B + 13.2C - 13.2D) (If TOTAL is positive, enter on Line 13.2E; if negative, enter on Line 14.2A)	1,186,568
13.2F	COMPANY ADJUSTMENT AMOUNT (Line 13.2)	
13.2G	TOTAL (Lines 13.2E + 13.2F) = (CASH FLOW LINE 13.2) => Net Transfers from Affiliates	1,186,568
13.3	Borrowed Funds Received:	
13.3A	(+) Page 3, Liabilities, Line 10, Column 3 (CY) => Borrowed Money and Interest Thereon	
13.3B	(-) Page 3, Liabilities, Line 10, Column 4 (PY) => Borrowed Money and Interest Thereon	
13.3C	(+) Liability for Asset Transfers with Put Options, Excluding Amortization of Difference Between Proceeds Received and Strike Price Obligation for the Period.	
13.3D	Subtotal (Lines 13.3A - 13.3B + 13.3C) (If TOTAL is positive, enter on Line 13.3D; if negative, enter on Line 14.3A)	
13.3E	COMPANY ADJUSTMENT AMOUNT (Line 13.3)	
13.3F	TOTAL (Lines 13.3D + 13.3E) = (CASH FLOW LINE 13.3) => Borrowed Funds Received	
13.4	Other Cash Provided:	
13.4A	(+) Page 2, Assets, Line 11, Column 4 (PY) => Health Care Receivables	4,740,605
13.4B	(-) Page 2, Assets, Line 11, Column 3 (CY) => Health Care Receivables	16,526
13.4C	Subtotal (Lines 13.4A - 13.4B) if positive	4,724,079
13.4D	(+) Page 2, Assets, Line 16, Column 4 (PY) => Amounts Receivable Relating to Uninsured Accident & Health Plans	2,239,147
13.4E	(-) Page 2, Assets, Line 16, Column 3 (CY) => Amounts Receivable Relating to Uninsured Accident & Health Plans	2,115,149
13.4F	Subtotal (Lines 13.4D - 13.4E) if positive	123,998
13.4G	(+) Page 3, Liabilities, Line 16, Column 3 (CY) => Liability for Amounts Held Under Uninsured Accident and Health Plans ...	6,041,003
13.4H	(-) Page 3, Liabilities, Line 16, Column 4 (PY) => Liability for Amounts Held Under Uninsured Accident and Health Plans ...	2,249,673
13.4I	Subtotal (Lines 13.4G - 13.4H) if positive	3,791,330
13.4J	(+) Page 2, Assets, Line 17, Column 4 (PY) => Furniture and Equipment	
13.4K	(-) Page 2, Assets, Line 17, Column 3 (CY) => Furniture and Equipment	
13.4L	Subtotal (Lines 13.4J - 13.4K) if positive	
13.4M	(+) Page 2, Assets, Line 18, Column 4 (PY) => Amounts Due from Agents	
13.4N	(-) Page 2, Assets, Line 18, Column 3 (CY) => Amounts Due from Agents	
13.4O	Subtotal (Lines 13.4M - 13.4N) if positive	
13.4P	(+) Page 2, Assets, Line 20, Column 4 (PY) => EDP Equipment and Software	
13.4Q	(-) Page 2, Assets, Line 20, Column 3 (CY) => EDP Equipment and Software	
13.4R	Subtotal (Lines 13.4P - 13.4Q) if positive	
13.4S	(+) Page 2, Assets, Line 22, Column 4 (PY) => Aggregate write-ins for Other Than Invested Assets	
13.4T	(-) Page 2, Assets, Line 22, Column 3 (CY) => Aggregate write-ins for Other Than Invested Assets	
13.4U	Subtotal (Lines 13.4S - 13.4T) if positive	
13.4V	(+) Page 3, Liabilities, Line 9, Column 3 (CY) => Amounts Withheld or Retained for Account of Others	
13.4W	(-) Page 3, Liabilities, Line 9, Column 4 (PY) => Amounts Withheld or Retained for Account of Others	
13.4X	Subtotal (Lines 13.4V - 13.4W) if positive	
13.4Y	(+) Page 3, Liabilities, Line 13, Column 3 (CY) => Funds held under Reinsurance Treaties	
13.4Z	(-) Page 3, Liabilities, Line 13, Column 4 (PY) => Funds held under Reinsurance Treaties	
13.4Z1	Subtotal (Lines 13.4Y - 13.4Z) if positive	
13.4Z2	(+) Page 3, Liabilities, Line 17, Column 3 (CY) => Aggregate write-ins for Other Liabilities	11,237,947
13.4Z3	(-) Page 3, Liabilities, Line 17, Column 4 (PY) => Aggregate write-ins for Other Liabilities	49,697,816
13.4Z4	Subtotal (Lines 13.4Z2 - 13.4Z3) if positive	
13.4Z5	(+) Exhibit 1, Line 4, Column 3 (If Positive, enter on Line 13.4Z5; If Negative, enter on Line 14.4Z5)	
13.4Z6	(+) Other not included elsewhere (NOTE: Include Changes in Non-Operating Accounts that are not reflected elsewhere, such as Sundry Assets and Liabilities and Changes in Non-Admitted Assets not reflected elsewhere.	3,168,786
13.4Z7	Subtotal (Lines 13.4C + 13.4F + 13.4I + 13.4L + 13.4O + 13.4R + 13.4U + 13.4X + 13.4Z1 + 13.4Z4 + 13.4Z5 + 13.4Z6)	11,808,193
13.4Z8	COMPANY ADJUSTMENT AMOUNT (Line 13.4)	
13.4Z9	TOTAL (Lines 13.4Z7 + 13.4Z8) = (CASH FLOW LINE 13.4) => Other Cash Provided	11,808,193
13.5	TOTAL (Lines 13.1F + 13.2G + 13.3F + 13.4Z9) = (CASH FLOW LINE 13.5) => TOTAL (Lines 13.1 to 13.4)	(7,730,239)
14.	Cash applied:	
14.1	Dividends to Stockholders	
14.1A	Page 5, Statement of Revenue and Expenses, Line 44, Column 1 => Dividends to Stockholders	
14.1B	COMPANY ADJUSTMENT AMOUNT (Line 14.1)	
14.1C	TOTAL (Lines 14.1A + 14.1B) (CASH FLOW LINE 14.1) => Dividends to Stockholders	

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DEVELOPMENT DATA WORKPAGES FOR "CASH FLOW"

Use the COMPANY ADJUSTMENT AMOUNT lines to adjust any line(s) on the Cash Flow page.

		CY Cash Flow
14.2	Net Transfers to Affiliates:	
14.2A	Amount from Line 13.2E, if Negative	
14.2B	COMPANY ADJUSTMENT AMOUNT (Line 14.2)	
14.2C	TOTAL (Lines 14.2A + 14.2B) (CASH FLOW LINE 14.2) => Net Transfers to Affiliates	
14.3	Borrowed Funds Repaid:	
14.3A	Amount from Line 13.3D, if Negative	
14.3B	COMPANY ADJUSTMENT AMOUNT (Line 14.3)	
14.3C	TOTAL (Lines 14.3A + 14.3B) (CASH FLOW LINE 14.3) => Borrowed Funds Repaid	
14.4	Other Applications:	
14.4A	(+) Page 2, Assets, Line 11, Column 4 (PY) => Health Care Receivables	4,740,605
14.4B	(-) Page 2, Assets, Line 11, Column 3 (CY) => Health Care Receivables	16,526
14.4C	Subtotal (Lines 14.4A - 14.4B) if negative	
14.4D	(+) Page 2, Assets, Line 16, Column 4 (PY) => Amounts Receivable Relating to Uninsured Accident & Health Plans	2,239,147
14.4E	(-) Page 2, Assets, Line 16, Column 3 (CY) => Amounts Receivable Relating to Uninsured Accident & Health Plans	2,115,149
14.4F	Subtotal (Lines 14.4D - 14.4E) if negative	
14.4G	(+) Page 3, Liabilities, Line 16, Column 3 (CY) => Liability for Amounts Held Under Uninsured Accident and Health Plans	6,041,003
14.4H	(-) Page 3, Liabilities, Line 16, Column 4 (PY) => Liability for Amounts Held Under Uninsured Accident and Health Plans	2,249,673
14.4I	Subtotal (Lines 14.4G - 14.4H) if negative	
14.4J	(+) Page 2, Assets, Line 17, Column 4 (PY) => Furniture and Equipment	
14.4K	(-) Page 2, Assets, Line 17, Column 3 (CY) => Furniture and Equipment	
14.4L	Subtotal (Lines 14.4J - 14.4K) if negative	
14.4M	(+) Page 2, Assets, Line 18, Column 4 (PY) => Amounts Due from Agents	
14.4N	(-) Page 2, Assets, Line 18, Column 3 (CY) => Amounts Due from Agents	
14.4O	Subtotal (Lines 14.4M - 14.4N) if negative	
14.4P	(+) Page 2, Assets, Line 20, Column 4 (PY) => EDP Equipment and Software	
14.4Q	(-) Page 2, Assets, Line 20, Column 3 (CY) => EDP Equipment and Software	
14.4R	Subtotal (Lines 14.4P - 14.4Q) if negative	
14.4S	(+) Page 2, Assets, Line 22, Column 4 (PY) => Aggregate write-ins for Other Than Invested Assets	
14.4T	(-) Page 2, Assets, Line 22, Column 3 (CY) => Aggregate write-ins for Other Than Invested Assets	
14.4U	Subtotal (Lines 14.4S - 14.4T) if negative	
14.4V	(+) Page 3, Liabilities, Line 9, Column 3 (CY) => Amounts Withheld or Retained for Account of Others	
14.4W	(-) Page 3, Liabilities, Line 9, Column 4 (PY) => Amounts Withheld or Retained for Account of Others	
14.4X	Subtotal (Lines 14.4V - 14.4W) if negative	
14.4Y	(+) Page 3, Liabilities, Line 13, Column 3 (CY) => Funds held under Reinsurance Treaties	
14.4Z	(-) Page 3, Liabilities, Line 13, Column 4 (PY) => Funds held under Reinsurance Treaties	
14.4Z1	Subtotal (Lines 14.4Y - 14.4Z) if negative	
14.4Z2	(+) Page 3, Liabilities, Line 17, Column 3 (CY) => Aggregate write-ins for Other Liabilities	11,237,947
14.4Z3	(-) Page 3, Liabilities, Line 17, Column 4 (PY) => Aggregate write-ins for Other Liabilities	49,697,816
14.4Z4	Subtotal (Lines 14.4Z2 - 14.4Z3) if negative	38,459,869
14.4Z5	(+) Exhibit 1, Line 4, Column 3 (If Negative, enter here; if positive enter 13.4Z5)	
14.4Z6	(+) Other not included elsewhere (NOTE: Include Changes in Non-Operating Accounts that are not reflected elsewhere, such as Sundry Assets and Liabilities and Changes in Non-Admitted Assets not reflected elsewhere.	
14.4Z7	Subtotal (Lines 14.4C + 14.4F + 14.4I + 14.4L + 14.4O + 14.4R + 14.4U + 14.4X + 14.4Z1 + 14.4Z4 + 14.4Z5 + 14.4Z6)	38,459,869
14.4Z8	COMPANY ADJUSTMENT AMOUNT (Line 14.4)	
14.4Z9	TOTAL (Lines 14.4Z7 + 14.4Z8) = (CASH FLOW LINE 14.4) => Other Applications	38,459,869
14.5	TOTAL (Lines 14.1C + 14.2C + 14.3C + 14.4Z9) = (CASH FLOW LINE 14.5) => (Lines 14.1 to 14.4)	38,459,869
15.	Net Cash from Financing & Miscellaneous Sources (Line 13.5 - 14.5) = (CASH FLOW LINE 15) => (Lines 13.5 - 14.5)	(46,190,108)
16.	Net Change in Cash & Short-Term Investments (Lines 9 + 12 + 15) => (CASH FLOW LINE 16)	(145,419,480)
17.	Cash and Short-Term Investments:	
17.1	Beginning of Year: Page 2, Assets Line 5, Column 4 (PY) => (CASH FLOW LINE 17.1) Beginning of Year	175,563,482
17.2	End of Year: Page 2, Line 5, Column 3 (CY) or (Line 16 + 17.1) => (CASH FLOW LINE 17.2) End of Year	30,144,002

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS
(Gain and Loss Exhibit)

7

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplement	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1.	Net premium income	290,620,958	.....	.....	.....	.....	.....	.....	.....	290,620,958	.....	.....	.....	.....
2.	Change in unearned premium reserves and reserve for rate credit .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
3.	Fee-for-service (net of \$..... medical expenses) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
4.	Risk revenue .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
5.	Aggregate write-ins for other health care related revenues .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
6.	Total revenues (Lines 1 to 5)	290,620,958	.....	.....	.....	.....	.....	.....	.....	290,620,958	.....	.....	.....	.....
7.	Medical/hospital benefits	176,409,127	.....	.....	.....	.....	.....	.....	.....	176,409,127	.....	.....	.....	.....
8.	Other professional services	26,294,741	.....	.....	.....	.....	.....	.....	.....	26,294,741	.....	.....	.....	.....
9.	Outside referrals .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
10.	Emergency room and out-of-area	7,396,270	.....	.....	.....	.....	.....	.....	.....	7,396,270	.....	.....	.....	.....
11.	Prescription drugs	70,058,513	.....	.....	.....	.....	.....	.....	.....	70,058,513	.....	.....	.....	.....
12.	Aggregate write-ins for other medical and hospital	7,435,050	.....	.....	.....	.....	.....	.....	.....	7,435,050	.....	.....	.....	.....
13.	Incentive pool and withhold adjustments	(4,006,640)	.....	.....	.....	.....	.....	.....	.....	(4,006,640)	.....	.....	.....	.....
14.	Subtotal (Lines 7 to 13)	283,587,061	.....	.....	.....	.....	.....	.....	.....	283,587,061	.....	.....	.....	.....
15.	Net reinsurance recoveries .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
16.	Total medical and hospital (Lines 14 minus 15)	283,587,061	.....	.....	.....	.....	.....	.....	.....	283,587,061	.....	.....	.....	.....
17.	Claims adjustment expenses	16,846,910	.....	.....	.....	.....	.....	.....	.....	16,846,910	.....	.....	.....	.....
18.	General administrative expenses	13,783,835	.....	.....	.....	.....	.....	.....	.....	13,783,835	.....	.....	.....	.....
19.	Increase in reserves for accident and health contracts .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
20.	Total underwriting deductions (Lines 16 to 19)	314,217,806	.....	.....	.....	.....	.....	.....	.....	314,217,806	.....	.....	.....	.....
21.	Net underwriting gain or (loss) (Line 6 minus Line 20)	(23,596,848)	.....	.....	.....	.....	.....	.....	.....	(23,596,848)	.....	.....	.....	.....
DETAILS OF WRITE-INS														
0501.	GME and Essential Provider Payment Revenues	105,102,042	.....	.....	.....	.....	.....	.....	.....	105,102,042	.....	.....	.....	.....
0502.	Essential Provider Pmt, Essential Access Pmt & Associated Premium Taxes	(45,918,368)	.....	.....	.....	.....	.....	.....	.....	(45,918,368)	.....	.....	.....	.....
0503.	GME Payments & Associated Premium Taxes	(59,183,674)	.....	.....	.....	.....	.....	.....	.....	(59,183,674)	.....	.....	.....	.....
0598.	Summary of remaining write-ins for Line 5 from overflow page .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
0599.	TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1201.	Exigency Post-Settlement Activity	8,592,878	.....	.....	.....	.....	.....	.....	.....	8,592,878	.....	.....	.....	.....
1202.	BHO SubCapitation	(1,157,828)	.....	.....	.....	.....	.....	.....	.....	(1,157,828)	.....	.....	.....	.....
1203	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1298.	Summary of remaining write-ins for Line 12 from overflow page .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
1299.	TOTAL (Lines 1201 through 1203 plus 1298) (Line 12 above)	7,435,050	.....	.....	.....	.....	.....	.....	.....	7,435,050	.....	.....	.....	.....

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital) .....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums .....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....
7.	Title XIX - Medicaid	290,620,958	.....	.....	290,620,958
8.	Other .....	.....	.....	.....	.....
9.	TOTALS	290,620,958	.....	.....	290,620,958

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Payments during the year:									
	1.1 Direct	376,666,373							376,666,373	
	1.2 Reinsurance assumed									
	1.3 Reinsurance ceded									
	1.4 Net	376,666,373							376,666,373	
2.	Paid medical incentive pools and bonuses	3,126,150							3,126,150	
3.	Claim liability December 31, current year from Part 2A:									
	3.1 Direct	1,556,385							1,556,385	
	3.2 Reinsurance assumed									
	3.3 Reinsurance ceded									
	3.4 Net	1,556,385							1,556,385	
4.	Claim reserve December 31, current year from Part 2D:									
	4.1 Direct									
	4.2 Reinsurance assumed									
	4.3 Reinsurance ceded									
	4.4 Net									
5.	Accrued medical incentive pools and bonuses, current year									
6.	Amounts recoverable from reinsurers December 31, current year									
7.	Claim liability December 31, prior year from Part 2A:									
	7.1 Direct	87,255,562							87,255,562	
	7.2 Reinsurance assumed									
	7.3 Reinsurance ceded									
	7.4 Net	87,255,562							87,255,562	
8.	Claim reserve December 31, prior year from Part 2D:									
	8.1 Direct	3,373,495							3,373,495	
	8.2 Reinsurance assumed									
	8.3 Reinsurance ceded									
	8.4 Net	3,373,495							3,373,495	
9.	Accrued medical incentive pools and bonuses, prior year	7,132,790							7,132,790	
10.	Amounts recoverable from reinsurers December 31, prior year									
11.	Incurred benefits:									
	11.1 Direct	287,593,701							287,593,701	
	11.2 Reinsurance assumed									
	11.3 Reinsurance ceded									
	11.4 Net	287,593,701							287,593,701	
12.	Incurred medical incentive pools and bonuses	(4,006,640)							(4,006,640)	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Reported in Process of Adjustment:									
	1.1 Direct	879,824							879,824	
	1.2 Reinsurance assumed									
	1.3 Reinsurance ceded									
	1.4 Net	879,824							879,824	
2.	Incurred but Unreported:									
	2.1 Direct	676,561							676,561	
	2.2 Reinsurance assumed									
	2.3 Reinsurance ceded									
	2.4 Net	676,561							676,561	
3.	Amounts Withheld from Paid Claims and Capitations:									
	3.1 Direct									
	3.2 Reinsurance assumed									
	3.3 Reinsurance ceded									
	3.4 Net									
4.	TOTALS									
	4.1 Direct	1,556,385							1,556,385	
	4.2 Reinsurance assumed									
	4.3 Reinsurance ceded									
	4.4 Net	1,556,385							1,556,385	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred Durring the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
	Line of Business						
1.	Comprehensive (medical and hospital) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	82,926,051	293,740,322	293,399	1,262,986	83,219,450	90,629,057
8.	Other .....	.....	.....	.....	.....	.....	.....
9.	Subtotal	82,926,051	293,740,322	293,399	1,262,986	83,219,450	90,629,057
10.	Medical incentive pools, accrual and disbursements	3,126,150	.....	.....	.....	3,126,150	7,132,790
11.	TOTALS	86,052,201	293,740,322	293,399	1,262,986	86,345,600	97,761,847

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Grand Total
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	74,602	(776)	(275)		
2.	1998	595,330	91,512	155	(130)	
3.	1999	X X X	804,177	84,326	505	250
4.	2000	X X X	X X X	804,704	125,870	29,482
5.	2001	X X X	X X X	X X X	688,909	53,194
6.	2002	X X X	X X X	X X X	X X X	293,740

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	722,458	721,321	721,046	721,046	721,046
2.	1998	689,072	687,236	686,997	686,867	686,867
3.	1999	X X X	906,683	888,742	889,008	889,258
4.	2000	X X X	X X X	969,453	961,440	960,056
5.	2001	X X X	X X X	X X X	748,672	742,396
6.	2002	X X X	X X X	X X X	X X X	295,003

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998	818,912	686,867	43,620	6	730,487	89			730,487	89
3.	1999	989,118	889,258	44,199	5	933,457	94			933,457	94
4.	2000	1,072,956	960,056	48,184	5	1,008,240	94			1,008,240	94
5.	2001	861,549	742,103	45,515	6	787,618	91	293		787,911	91
6.	2002	290,621	293,740	14,168	5	307,908	106	1,263		309,171	106
7.	TOTAL (Lines 1 through 6)	X X X	3,572,024	195,686	X X X	3,767,710	X X X	1,556		3,769,266	X X X
8.	TOTAL (Lines 2 through 6)	4,033,156	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Hospital and Medical

Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	NONE				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	NONE				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999				NONE						
4.	2000										
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Medicare Supplement
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	N O N E				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	N O N E				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999				N O N E						
4.	2000										
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Dental Only
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	N O N E				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	N O N E				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999				N O N E						
4.	2000										
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Dental Only

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Vision Only
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	<div>NONE</div>				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	<div>NONE</div>				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999				<div>NONE</div>						
4.	2000										
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

12 Vision Only

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)
Federal Employees Health Benefits Plan Premiums

Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	<div>NONE</div>				
2.	1998					
3.	1999					
4.	2000		X X			
5.	2001		X X	X X X		
6.	2002		X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	<div>NONE</div>				
2.	1998					
3.	1999					
4.	2000		X X			
5.	2001		X X	X X X		
6.	2002		X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999										
4.	2000				<div>NONE</div>						
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Title XVIII - Medicare

Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	NONE				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	NONE				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999				NONE						
4.	2000										
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Title XIX - Medicaid
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	74,602	(776)	(275)		
2.	1998	595,330	91,512	155	(130)	
3.	1999	X X X	804,177	84,326	505	250
4.	2000	X X X	X X X	804,704	125,870	29,482
5.	2001	X X X	X X X	X X X	688,909	53,194
6.	2002	X X X	X X X	X X X	X X X	293,740

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior	722,458	721,321	721,046	721,046	721,046
2.	1998	689,072	687,236	686,997	686,867	686,867
3.	1999	X X X	906,683	888,742	889,008	889,258
4.	2000	X X X	X X X	969,453	961,440	960,056
5.	2001	X X X	X X X	X X X	748,672	742,396
6.	2002	X X X	X X X	X X X	X X X	295,003

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998	818,912	686,867	43,620	6	730,487	89			730,487	89
3.	1999	989,118	889,258	44,199	5	933,457	94			933,457	94
4.	2000	1,072,956	960,056	48,184	5	1,008,240	94			1,008,240	94
5.	2001	861,549	742,103	45,515	6	787,618	91	293		787,911	91
6.	2002	290,621	293,740	14,168	5	307,908	106	1,263		309,171	106
7.	TOTAL (Lines 1 through 6)	X X X	3,572,024	195,686	X X X	3,767,710	X X X	1,556		3,769,266	X X X
8.	TOTAL (Lines 2 through 6)	4,033,156	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS (000 Omitted)

Other
Section A - Paid Claims

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	<div>NONE</div>				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section B - Incurred Claims

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1998	2 1999	3 2000	4 2001	5 2002
1.	Prior					
2.	1998	<div>NONE</div>				
3.	1999					
4.	2000					
5.	2001					
6.	2002					
		X X X	X X X	X X X	X X X	

Section C - Incurred Year Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	Prior to 1998	X X X			X X X		X X X				X X X
2.	1998										
3.	1999				<div>NONE</div>						
4.	2000										
5.	2001										
6.	2002										
7.	TOTAL (Lines 1 through 6)	X X X			X X X		X X X				X X X
8.	TOTAL (Lines 2 through 6)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves
2. Additional policy reserves (a)
3. Reserve for future contingent benefits
4. Reserve for rate credits or experience rating refunds (including \$#####) for investment income
5. Aggregate write-ins for other policy reserves
6. Totals (gross)
7. Reinsurance ceded
8. Totals (Net) (Page 3, Line 4)
CLAIM RESERVE									
9. Present value of amounts not yet due on claims
10. Reserve for future contingent benefits	NONE		.....	.....	.....	.....	.....	.....
11. Aggregate write-ins for other claim reserves
12. Totals (gross)
13. Reinsurance ceded
14. Totals (Net) (Page 3, Line 5)
DETAILS OF WRITE-INS									
0501
0502
0503
0598. Summary of remaining write-ins for Line 5 from overflow page
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)
1101
1102
1103
1198. Summary of remaining write-ins for Line 11 from overflow page
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)

(a) Includes \$..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		1	2	3	4
		Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$..... for occupancy of own building)	2,471,610	2,022,226		4,493,836
2.	Salaries, wages and other benefits	33,838,555	27,686,091		61,524,646
3.	Commissions (less \$..... ceded plus \$..... assumed) ...				
4.	Legal fees and expenses				
5.	Certifications and accreditation fees				
6.	Auditing, actuarial and other consulting services	685,737	561,057		1,246,794
7.	Traveling expenses	657,233	537,736		1,194,969
8.	Marketing and advertising				
9.	Postage, express and telephone	2,590,735	2,119,692		4,710,427
10.	Printing and office supplies	1,010,106	826,450		1,836,556
11.	Occupancy, depreciation and amortization	447,581	366,202		813,783
12.	Equipment	3,535,371	2,892,577		6,427,948
13.	Cost or depreciation of EDP equipment and software	2,020,212	1,652,901		3,673,113
14.	Outsourced services including EDP, claims, and other services	1,200,176	981,962		2,182,138
15.	Boards, bureaus and association fees	505,053	413,225		918,278
16.	Insurance, except on real estate				
17.	Collection and bank service charges				
18.	Group service and administration fees				
19.	Reimbursements by uninsured accident and health plans	(45,633,375)	(37,336,397)		(82,969,772)
20.	Reimbursements from fiscal intermediaries				
21.	Real estate expenses				
22.	Real estate taxes				
23.	Taxes, licenses and fees:				
23.1	State and local insurance taxes				
23.2	State premium taxes	11,974,978	9,797,710		21,772,688
23.3	Regulator authority licenses and fees				
23.4	Payroll taxes	1,542,938	1,262,403		2,805,341
23.5	Other (excluding federal income and real estate taxes)				
24.	Investment expenses not included elsewhere			41,507	41,507
25.	Aggregate write-ins for expenses				
26.	Total expenses incurred (Lines 1 to 25)	16,846,910	13,783,835	41,507	(a) 30,672,252
27.	Add expenses unpaid December 31, prior year	2,986,954	2,899,215		5,886,169
28.	Less expenses unpaid December 31, current year		735,405		735,405
29.	Amounts receivable relating to uninsured accident and health plans, prior year				
30.	Amounts receivable relating to uninsured accident and health plans, current year				
31.	Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30) .	19,833,864	15,947,645	41,507	35,823,016
DETAILS OF WRITE-INS					
2501	.....			
2502	.....			
2503	.....			
2598.	Summary of remaining write-ins for Line 25 from overflow page				
2599.	Totals (Lines 2501 through 2503 + 2598)(Line 25 above)				

(a) Includes management fees of \$.....92,463,629 to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 767,022	..... 571,740
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a).....	.....
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated) .....		.....
2.21	Common stocks of affiliates .....		.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d).....	.....
5.	Contract loans .....		.....
6.	Cash/short-term investments	(e)..... 2,779,994	..... 2,536,910
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....		.....
9.	Aggregate write-ins for investment income .....		.....
10.	Total gross investment income .....	..... 3,547,016	..... 3,108,650
11.	Investment expenses		(g)..... 41,507
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income .....		..... 307,285
16.	Total deductions (Lines 11 through 15) .....		..... 348,792
17.	Net Investment income (Line 10 minus Line 16) .....		..... 2,759,858
DETAILS OF WRITE-INS			
0901	.....		.....
0902	.....		.....
0903	.....		.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....		.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....		.....
1501.	Contractual Investment Expense .....		..... 272,916
1502.	Checking Account Fees .....		..... 34,369
1503	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		..... 307,285

- (a) Includes \$..... accrual of discount less \$.....513,714 amortization of premium and less \$.....229,028 paid for accrued interest on purchases.
- (b) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued dividends on purchases.
- (c) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (d) Includes \$..... for company's occupancy of its own buildings; and excluding \$..... interest on encumbrances.
- (e) Includes \$..... accrual of discount less \$..... amortization of premium and less \$..... paid for accrued interest on purchases.
- (f) Includes \$..... accrual of discount less \$..... amortization of premium.
- (g) Includes \$..... investment expenses and \$..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.
- (i) Includes \$..... depreciation on real estate and \$..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values	Total
1.	U.S. Government bonds .....	..... (26,482)	.....	.....	.....	..... (26,482)
1.1	Bonds exempt from U.S. tax					
1.2	Other bonds (unaffiliated)					
1.3	Bonds of affiliates					
2.1	Preferred stocks (unaffiliated)					
2.11	Preferred stocks of affiliates					
2.2	Common stocks (unaffiliated)					
2.21	Common stocks of affiliates					
3.	Mortgage loans					
4.	Real estate					
5.	Contract loans					
6.	Cash/short-term investments					
7.	Derivative instruments					
8.	Other invested assets					
9.	Aggregate write-ins for capital gains (losses)					
10.	Total capital gains (losses) .....	..... (26,482)	.....	.....	.....	..... (26,482)
DETAILS OF WRITE-INS						
0901	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page					
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

		1	2	3
		End of Current Year	End of Prior Year	Changes for Year (Increase) or Decrease
1.	Summary of items Page 2, Lines 10 to 13 and 15 to 20, Column 2	5,967,574	12,255,532	6,287,958
2.	Other Nonadmitted Assets:			
2.1	Bills receivable			
2.2	Leasehold improvements			
2.3	Cash advanced to or in the hands of officers and agents			
2.4	Loans on personal security, endorsed or not			
2.5	Commuted commissions			
3.	Total (Lines 2.1 to 2.5)			
4.	Aggregate write-ins for other assets			
5.	TOTAL (Line 1 plus Line 3 and Line 4)	5,967,574	12,255,532	6,287,958
DETAILS OF WRITE-INS				
0401	.....		
0402	.....		
0403	.....		
0498.	Summary of remaining write-ins for Line 4 from overflow page			
0499.	TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above)			

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	288,358	283,463	282,426			1,727,303
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service						
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	288,358	283,463	282,426			1,727,303
DETAILS OF WRITE-INS							
0601	.....					
0602	.....					
0603	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

EXHIBIT 3 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
	NONE					
0599999 Accident and health premiums due and unpaid (Page 2, Line 10) ..	.....	.....	.....	.....	.....	.....

EXHIBIT 4 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
Receivables not individually listed						
Scrip Pharmacy (Rx Rebate Administrator)				4,821,014	4,821,014	
0499999 Total - Receivables not individually listed	4,927	1,269	10,330	173,786	173,786	16,526
0599999 Health care receivables	4,927	1,269	10,330	4,994,800	4,994,800	16,526

EXHIBIT 5 - CLAIMS PAYABLE (Reported and Unreported)
Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered	312,611	83,351	23,315	44,007	416,540	879,824
0499999 Subtotals	312,611	83,351	23,315	44,007	416,540	879,824
0599999 Unreported claims and other claim reserves						676,561
0699999 Total Amounts Withheld						
0799999 Total Claims Payable						1,556,385
0899999 Accrued Medical Incentive Pool						

EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
BlueCross BlueShield of Tennessee	4,958,882					4,958,882	
0199999 Total - Individually listed receivables	4,958,882					4,958,882	
0299999 Receivables not inidividually listed							
0399999 Total gross amounts receivable	4,958,882					4,958,882	

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5
Affiliate	Description	Amount	Current	Non-Current
Individually listed payables				
BlueCross BlueShield of Tennessee	Admin/FIT	5,134,634	5,134,634	
0199999 Total - Individually listed payables	X X X	5,134,634	5,134,634	
0299999 Payables not individually listed	X X X			
0399999 Total gross payables	X X X	5,134,634	5,134,634	

EXHIBIT 8 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

		1	2	3	4	5	6
Payment Method		Direct Medical Expense Payment	Column 1 as a % of Total	Total Members Covered	Column 3 as a % of Total	Column 1 Expenses Paid to Affiliated Providers	Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:							
1.	Medical groups	3,584,736	0.944				3,584,736
2.	Intermediaries	77,256,723	20.342				77,256,723
3.	All other providers	1,079,901	0.284				1,079,901
4.	Total capitation payments	81,921,360	21.570				81,921,360
Other Payments:							
5.	Fee-for-service			X X X	X X X		
6.	Contractual fee payments	265,105,335	69.803	X X X	X X X		265,105,335
7.	Bonus/withhold arrangements - fee-for-service			X X X	X X X		
8.	Bonus/withhold arrangements - contractual fee payments	32,765,828	8.627	X X X	X X X		32,765,828
9.	Non-contingent salaries			X X X	X X X		
10.	Aggregate cost arrangements			X X X	X X X		
11.	All other payments			X X X	X X X		
12.	Total other payments	297,871,163	78.430	X X X	X X X		297,871,163
13.	Total (Line 4 plus Line 12)	379,792,523	100.000	X X X	X X X		379,792,523

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1	2	3	4	5	6
NAIC Code	Name of Intermediary	Capitation Paid	Average Monthly Capitation	Intermediary's Total Adjusted Capital	Intermediary's Authorized Control Level RBC
	PCS Health Systems	83,319,802	6,943,317		
	First Health	98,117	32,706		
	Tennessee Health Partnership	96,263	8,022		
	East Tennessee CHA	87,747	7,312		
	Southeast CHA	82,428	6,869		
	Northeast Community Service	80,150	6,679		
	Upper Cumberland CHA	66	6		
	South Central CHA	56	5		
	Mid Cumberland CHA	39	3		
	Memphis & Shelby County CHA	36	3		
	Nashville & Metropolitan CHA	36	3		
	Northwest CHA	26	2		
	Southwest CHA	19	2		
	Pharmacy Refunds (State of Tennessee)	24,848	2,071		
	Scrip Pharmacy	(6,532,910)	(544,409)		
9999999		77,256,723	X X X	X X X	X X X

EXHIBIT 9 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

		1	2	3	4	5	6
Description		Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1.	Administrative furniture and equipment						
2.	Medical furniture, equipment and fixtures	N O N E					
3.	Pharmaceuticals and surgical supplies						
4.	Durable medical equipment						
5.	Other property and equipment						
6.	Total						

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (The Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2002, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would be decreased (622,732) and claims would be decreased (1,652,337) YTD. The Exigency agreement with the State allowed VSHP to retain 1/3 of any gain and the State to receive 2/3 of any gain. The State covers any claims losses. A cash settlement of \$55,681,476 was made on December 20, 2002 for the 2/3 calculated gain settlement plus all December 2001 thru November 2002 activity. The December 2002 activity is recorded as an aggregate write-in liability (Exigency Post Settlement Activity) payable to the State of Tennessee.

The TDCI, TennCare Division, allows a permitted practice of admitting the most current 90 days of Health Care Receivables (per Tennessee Code Annotated (TCA) §56-32-212 (a) 5D).

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Health premiums and administrative fees are recorded based on remittance information from the State of Tennessee. Accrued medical claims and related expenses (hospitalization and other outside medical services) include amounts reported in process of adjustment and an estimate of costs incurred but not reported. These reserves are estimated using historical lag patterns and cost and enrollment trends.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds not backed by other loans are stated at amortized cost using the scientific amortization method.
- (3) The company does not hold common stock.
- (4) The company does not hold preferred stock.
- (5) The company does not hold mortgage loans.
- (6) The company does not hold loan-backed securities.
- (7) The company does not hold investments in subsidiaries, controlled and affiliated companies.
- (8) The company does not have minor ownership interests in joint ventures.
- (9) The company does not carry derivatives.
- (10) The Company used anticipated investment income as a factor in the premium deficiency calculation.
- (11) Unpaid claims and claims adjustment expenses include estimates based on past experience for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

Notes to Financial Statement

A. Disclosure of material changes in accounting principles and/or correction of errors.

Not Applicable

B. Initial Implementation of Codification:

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Tennessee. Effective January 1, 2001, the State of Tennessee required that insurance companies domiciled in the State of Tennessee prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual - Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Tennessee Insurance Commissioner.

Accounting changes adopted to conform to the provisions of the NAIC *Accounting Practices and Procedures* manual - Version effective January 1, 2001 are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. During the 2001 year, SSAP 84 was adopted allowing the admission of the most current quarter of Pharmacy Rebates receivable. Also, the TDCI, TennCare Division, allowed a permitted practice of admitting the most current 90 days of Health Care Receivables. The Company reported a change of accounting principle, as an adjustment that decreased unassigned funds (surplus), in the amount of \$ 7,517,047 as of January 1, 2001 related to health care receivables and deferred tax assets.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not Applicable

B. Statutory Merger

Not Applicable

C. Impairment Loss

Not Applicable

4. Discontinued Operations

Not Applicable

5. Investments

A. Mortgage Loans

Not Applicable

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

Not Applicable

D. Loan-Backed Securities

Not Applicable

E. Repurchase Agreements

Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable

7. Investment Income

A. No investment income due and accrued was excluded from surplus.

B. The total amount excluded was \$ 0.

Notes to Financial Statement

8. Derivative Instruments

Not Applicable

9. Income Taxes

A. The components of the net deferred tax asset/liability) at December 31 are as follows:

	2002	2001
(1)Total of all deferred tax assets (admitted and nonadmitted)	\$2,675,046	\$5,794,218
(2)Total of all deferred tax liabilities	0	0
(3)Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	\$972,774	\$1,271,867
(4)Total of all DTAs admitted [(1)-(2)-(3)], no less than zero	\$1,702,272	\$4,522,351
(5)Increase (decrease) in deferred tax assets nonadmitted	(299,093)	\$1,271,867

B. Deferred tax liabilities are not recognized for the following amounts:

- (1) Policyholder Surplus - Not Applicable
- (2) Foreign Subsidiaries - Not Applicable

C. Current income taxes incurred consist of the following major components:

	2002	2001
Current Tax Expense	\$(8,396,968)	\$4,412,156
0199. Current income taxes incurred	\$(8,396,968)	\$4,412,156

The main components of the 2002 deferred tax amounts are as follows:

<u>DTAs</u>	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
Loss Reserve Discounting	\$(1,556,384)	\$(1,513,765)	\$42,619	\$14,917
Receivables	\$16,526	6,166,894	6,150,368	2,152,629
Contingency	(1,450,000)	0	1,450,000	507,500
0299. Total DTAs	(2,989,858)	4,653,129	7,642,987	2,675,046
0399. DTAs nonadmitted	\$(1,433,474)	\$1,345,880	\$2,779,354	\$972,774
<u>DTLs</u>	<u>Statutory</u>	<u>Tax</u>	<u>Difference</u>	<u>Tax Effect</u>
0499. Total DTLs	0	0	0	0

The changes in main components of DTAs and DTLs are as follows:

<u>DTAs Resulting from book/tax differences in</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
Loss Reserve Discounting	\$14,917	\$ 940,832	\$(925,915)
Receivables	2,152,629	4,853,386	(2,700,757)
Contingency	507,500	0	507,500
0599. Total DTAs	2,675,046	5,794,218	(3,119,172)
0699. DTAs nonadmitted	\$972,774	\$1,271,867	\$(299,093)
<u>DTLs Resulting from book/tax differences in</u>	<u>2002</u>	<u>2001</u>	<u>Change</u>
0799. Total DTLs	0	0	0

D. Among the more significant book to tax adjustments were the following:

	<u>Amount</u>	<u>Tax Effect</u>
01. Income before taxes	\$(20,863,472)	\$(7,302,215)
02. Loss Reserve Discounting	(2,850,282)	(997,599)
03. Contingency	1,450,000	507,500
04. Receivables	(1,727,584)	(604,654)
0399. Total Adjustments	(3,127,866)	(1,094,753)
0499. Taxable Income	(23,991,338)	(8,396,968)

E. (1) Operating loss and tax credit carry forwards

Not Applicable

(2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

2002	\$0
2001	\$0
2000	\$0

Notes to Financial Statement

- F.

(1)

The Company’s federal Income Tax return is consolidated with the following entities:

BlueCross BlueShield of Tennessee, Inc.
Tennessee Health Care Network, Inc.
Golden Security Life Insurance Company, Inc.
Group Insurance Services, Inc.
Advanced Insurance Services, Inc.
Southern Diversified Business Services, Inc.
- (2)

The method of tax allocation between members of the affiliated group is subject to written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A.

The Company is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. (The Parent).
- B.

The Company has an administrative service agreement with the Parent, which delegates the performance of administrative services to the Parent in exchange for a fee. A tax sharing agreement also exists and is allocated on a percentage calculation. These amounts are booked and settled on a monthly basis.
- C.

The Company paid \$93,583,714 and \$93,360,539 in 2002 and 2001 to the Parent for services performed under the administrative services agreement. The Company returned \$20,725,000 in contributed capital, with the permission of the TDCI, to the Parent during 2002.
- D.

At December 31, 2002, the Company reported \$175,752 as amounts due to the Parent. At December 31, 2001, the Company reported \$1,010,816 as amounts due from the Parent. These amounts are settled monthly.
- E.

Guarantees or undertakings for the benefit of an affiliate

Not Applicable
- F.

The Company has an administrative services contract with The Parent, under which the Parent receives a fee to provide all administrative services.
- G.

All outstanding shares of the Company are owned by the Parent, BlueCross BlueShield of Tennessee, Inc., an insurance holding company domiciled in the State of Tennessee.
- H.

Amount deducted from the value of an upstream intermediate entity

Not Applicable
- I.

Investment in SCA in excess of 10% of admitted assets

Not Applicable
- J.

Investment in impaired SCA entity

Not Applicable

11. Debt

- A.

Capital Notes

Not Applicable
- B.

All Other Debt

Not Applicable

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- The Company has no employees. All personnel services are provided by employees of the Parent through an administrative service agreement. The Parent pays all compensation and funds benefit and retirement plans. All disclosures of retirement plans are included in the Parent’s annual statement.
- A.

Defined Benefit Plan

Not Applicable
- B.

Defined Contribution Plan

Not Applicable

Notes to Financial Statement

C. Multiemployer Plans:

Not Applicable

D. Consolidated/Holding Company Plans

Not Applicable

E. Postemployment Benefits and Compensated Absences

Not Applicable

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations.

- (1)

The Company has 1,000 shares authorized, 1,000 shares issued and outstanding of common stock. Par or Stated value is \$100 per share.
- (2)

The Company has no preferred stock outstanding.
- (3)

In accordance with Tennessee Code Annotated (TCA) §56-11-206(b) the maximum amount of dividends which can be paid by State of Tennessee insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to the greater of ten percent (10%) of net worth of the preceding December 31 or the net gain from operations for the preceding year. The company may currently pay dividends of \$6,469,586 to the Parent based on the 2001 net worth.
- (4)

Within the limitations of (3) above, there are no other restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- (5)

The State of Tennessee requires the Company to hold a statutory deposit. The Company’s statutory deposit equaled \$5,550,000 at 12/31/02. Note 27 provides the detail of this calculation.
- (6)

For mutuals, total amount of advances to surplus not repaid

Not Applicable
- (7)

Total stock held for special purposes

Not Applicable
- (8)

Description of changes in any special surplus fund

Not Applicable
- (9)

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a.

unrealized gains and losses:

Not Applicable

b.

nonadmitted asset values:

\$ 5,967,574

c.

separate account business

Not Applicable

d.

asset valuation

Not Applicable

e.

provision for reinsurance:

Not Applicable
- (10)

The Company issued no surplus debentures or similar obligations.
- (11)

Impact of the restatement in a quasi-reorganization

Not Applicable
- (12)

Effective date of a quasi-reorganization

Not Applicable

14. Contingencies

A. Contingent Commitments

Not Applicable

B. Assessments

Not Applicable

C. Gain Contingencies

Not Applicable

D. All Other Contingencies

Notes to Financial Statement

Various lawsuits against the Company have arisen in the course of the Company’s business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

15. Leases

A. Disclosures related to lessee leasing arrangements
Not Applicable

B. Disclosures related to lessor leasing arrangements
Not Applicable
16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

(1) The Company has no financial instruments with off-balance sheet risk.

(2) The Company does not use swaps, futures or options.

(3) The Company has no financial instruments with off-balance sheet risk, and no counterparty exposure.

(4) The Company has no financial instruments subject to credit risk and therefore is not required to post collateral.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales
Not Applicable

B. Transfer and Servicing of Financial Assets
Not Applicable

C. Wash Sales
Not Applicable
18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plan:

TennCare Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per an Administrative Service Agreement, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCare Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3) All assets related to TennCare Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. (Note that pharmacy rebate receivables are shown on line 16 of the Assets page.) All liabilities for the ASO plans are netted on page 3, line 16 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2002:

	(1)	(2)	(3)
	ASO	Uninsured	
	Uninsured	Portion of	Total
	<u>Plans</u>	<u>Partially Insured</u>	<u>ASO</u>
	<u>Plans</u>	<u>Plans</u>	
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of actual expenses	\$0	\$0	\$0
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	0	0	0
c. Net Gain or (Loss) from operations	0	0	0
d. Total Claims Payment Volume	\$701,849,002	0	\$701,849,002

B. ASC Plan

Notes to Financial Statement

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:
Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.
Not Applicable

20. Other Items
A. Extraordinary Items
Not Applicable

B. Troubled Debt Restructuring
Not Applicable

C. Other Disclosures

Assets in the amount of \$5,550,000 and \$6,600,000 at December 31, 2002 and 2001, respectively, were on deposit with government authorities or trustees as required by law.

The Company elected to use rounding in reporting amounts in the statement.

Pharmacy payments are reported on Line 2 of Exhibit 8, per discussions with the Department of Insurance, TennCare Division. Because our pharmacy arrangement does not ‘fit’ any of the line descriptions, the State felt that this would be the best reporting option. Pharmacy is not capitated. The Company does have a closed formulary for drugs. Drugs are reimbursed at average wholesale price less discount and are eligible for rebates.

D. Uncollectible premium balances
Not Applicable

E. Reinsurance Accounted for as a Deposit
Not Applicable

F. Multiple Peril Crop Insurance
Not Applicable

G. Mezzanine Real Estate Loans
Not Applicable

H. Health Care Receivables

(1) Pharmaceutical Rebate Receivables

Pharmacy rebate receivables are based on pharmacy utilization during the quarter as well as past experience of rebates received. The Company began recording a pharmacy rebate receivable at inception. Confirmations are received on a 6 to 7 month lag. The chart below begins with the first quarter 2000 receivable for the Company and is prepared on an incurred basis.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation	Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation
12/31/02	3,798,872				
9/30/02	0				
6/30/02	3,685,177	3,567,551	2,140,531		
3/31/02	3,480,623	3,133,657	1,880,194	1,253,463	
12/31/01	3,108,329	3,298,554	1,979,132	1,319,422	
9/30/01	2,968,555	2,647,211	1,588,326	1,111,140	
6/30/01	4,506,686	5,703,351	3,422,010	2,281,340	(33,133)
3/31/01	2,325,298	4,609,875	2,765,925	1,873,498	
12/31/00	3,061,124	4,783,820	2,870,292	1,913,528	(614)
9/30/00	2,400,000	4,592,988	2,755,793	1,959,911	(2,226)
6/30/00	5,199,999	7,725,705	4,635,423	3,090,282	62,947
3/31/00	4,470,000	5,851,283	3,510,770	2,834,149	187,875

Notes to Financial Statement

(2) Risk Sharing Receivables

Not Applicable

I. September 11 Events

The Company has not incurred material losses as a result of the September 11 events.

J. Real Estate

Not Applicable

K. Participating Policies

Not Applicable

L. Premium Deficiency Reserves

Not Applicable

M. Intercompany Pooling Arrangements

Not Applicable

N. Business Combinations and Goodwill – Assumption Reinsurance

Not Applicable

O. Noncash Transactions

Not Applicable

21. Events Subsequent

Not Applicable

22. Reinsurance

A. Unsecured Reinsurance Recoverables

Not Applicable

B. Reinsurance Recoverable in Dispute

Not Applicable

C. Reinsurance Assumed and Ceded

Not Applicable

D. Uncollectible Reinsurance

Not Applicable

E. Commutation of Ceded Reinsurance

Not Applicable

F. Retroactive Reinsurance

Not Applicable

23. Retrospectively Rated Contracts

A. The Company does not accrue retrospective premium adjustments.

B. No premiums are subject to retrospective rating.

24. Salvage and Subrogation

Not Applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

The estimate of insured incurred claims for loss years 2001 and prior has decreased by \$7.4 million as reflected in the

Notes to Financial Statement

decrease in the reserve estimate from \$90.6 million as reported in 2001 to \$83.2 million as re-estimated in 2002. This decrease is generally the result of actual payments being less than originally projected based on historical patterns of the trends in medical costs principally on group medical lines of insurance. Original estimates are increased or decreased, as additional information becomes available. There are no retrospectively rated policies. Adjustments are made to the reserve estimate for claim adjustment expenses as information becomes available.

26. Organization and Operation

The Company, a Tennessee corporation, is a wholly-owned subsidiary of BlueCross BlueShield of Tennessee (the Parent). The Company markets its services under the BlueCare and TennCare Select (ASO) trade names. The Company provides services to Medicaid eligible, Uninsured and Uninsurable members, for which the State determines eligibility. Effective July 1, 2001, the BlueCare business became subject to risk per an amendment to the Contractor Risk Agreement with a \$33M limitation. The maximum membership was reduced to 300,000 and the service area was limited to the East Grand Region (First Tennessee, East Tennessee, Southeast, Knox and Hamilton service areas). TennCare Select, an ASO product effective July 1, 2001, covers the statewide population of children in State custody, children with SSI, Out-of-State members, MCO overflow and non-responsive members. Effective July 1, 2002, at risk TennCare business for all MCO’s was converted to ASO arrangements. The contracts for both TennCare Select and the Stabilization Plan are effective through December 2003.

The Company, a health maintenance organization (HMO) licensed and operating in the State of Tennessee, was formed to provide comprehensive health care services, including inpatient and outpatient care, to enrollees of the State TennCareSM Program. The Company assigns enrollees to a primary care manager (PCM). Surplus sharing incentives are available to PCM’s who reach predetermined levels including quality of care and accessibility and are subject to results of operations for each CSA and the Company as a whole.

27. Minimum Net Worth

Under the laws of the State of Tennessee, the Company must maintain the larger of the minimum net worth of \$1,500,000 or 4% of the first \$150,000,000 in premiums and 1.5% of premiums in excess of \$150,000,000 as reported on the most recent annual statement filed with the TDCI. The statutory reserve was calculated as follows:

Net premium revenue at 12/31/01	\$150,000,000	711,548,883	
	x4%	x1.5%	
	6,000,000	Plus 10,673,233	= 16,673,233

The Company’s net worth at 12/31/02 is \$34,673,137 which complies with the minimum required reserves.

The State of Tennessee also requires the Company to provide a statutory deposit based on an initial \$900,000 requirement and an additional \$100,000 for each \$10,000,000 in premiums over \$20,000,000 and less than \$100,000,000. An additional \$50,000 is required for each \$10,000,000 in premiums over \$100,000,000. The statutory deposit was calculated as follows:

	<u>Total Premiums</u>	<u>Deposit</u>
Net premium revenue at 12/31/01	\$861,548,883	
Initial requirement		\$900,000
Premiums over \$20M		
But less than \$100M	100,000,000	800,000
Premiums over \$100M	<u>761,548,883</u>	<u>3,850,000</u>
Total	\$861,548,883	5,550,000

The Company’s statutory deposit at 12/31/02 equaled \$5,550,000.

This is a work paper page containing "Electronic" data.
(Do NOT include this page in your Annual Statement that is filed).

NOTES TO FINANCIAL STATEMENT
ELECTRONIC DATA

Note 1		
(1)	(2)	(3)
Description	2002	2001
01A01 Net Income - State Basis		
01A04 Net Income, NAIC SAP		
01A05 Statutory Surplus State Basis		
01A08 Statutory Surplus, NAIC SAP		

Note 4	
Description	(1) Amount
Assets	
405A. Line 5 - Cash	
405B. Line 23 - TOTALS	
Liabilities, Surplus and Other Funds	
405C. Line 18 - TOTAL Liabilities	
405D. Line 26 - Total Capital and Surplus	
405E. Line 27 - TOTAL	
Statement of Revenue and Expenses	
405F. Line 2 - Premiums	
405G. Line 20 - Increase in aggregate reserves for accident & health (current year less prior year)	
405H. Line 29 - Federal and foreign income taxes incurred	
405I. Line 24 - Net realized capital gains (losses)	
405J. Line 30 - Net Income	

Notes 5A & 5B			
Description		(1) Current Year	(2) Prior Year
5A.	Mortgage Loans		
4.	As of year end, the Company held mortgages with interest more than 180 days past due with a recorded investment, excluding accrued interest		
A.	Total interest due on mortgages with interest more than 180 days past due		
5.	Taxes, assessments and any amounts advanced and not included in the mortgage loan total		
6.	Current year impaired loans with a related allowance for credit losses		
A.	Related allowance for credit losses		
7.	Impaired Mortgage loans without an allowance for credit losses		
8.	Average recorded investment in impaired loans		
9.	Interest income recognized during the period the loans were impaired		
10.	Amount of interest income recognized on a cash basis during the period the loans were impaired		
5B.	Debt Restructuring		
1.	The total recorded investment in restructured loans, as of year end		
2.	The realized capital losses related to these loans		
3.	Total contractual commitments to extend credit to debtors owning receivables whose terms have been modified in troubled debt restructurings		
4.	The Company accrues interest income on impaired loans to the extent it is deemed collectible (delinquent less than 90 days) and the loan continues to perform under its original or restructured contractual terms. Interest income on non performing loans is generally recognized on a cash basis		
5.	Allowance for credit losses:		
A.	Balance at beginning of period		
B.	Additions charged to operations		
C.	Direct write-downs charged against the allowances		
D.	Recoveries of amounts previously charged off		
E.	Balance at end of period		

Note 9A			
Description		(1) 2002	(2) 2001
9A.	The components of the net deferred tax asset/(liability) at December 31 are as follows:		
1.	Total of all deferred tax assets (admitted and nonadmitted)		
2.	Total of all deferred tax liabilities		
3.	Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes		
4.	Total of all deferred tax assets		
5.	Increase (decrease) in deferred tax assets nonadmitted		

NOTES TO FINANCIAL STATEMENT (Continued)

Note 9C1		
(1) Description	(2) 2002	(3) 2001
09C0199 Total - Current Income Taxes Incurred

Note 9C2				
(1) Description	(2) Statutory	(3) Tax	(4) Difference	(5) Tax Effect
09C0299 Total - DTAs

Note 9C3					
Description		(1) Statutory	(2) Tax	(3) Difference	(4) Tax Effect
9C.	The main components of the 2002 deferred tax amounts are as follows:				
3.	DTAs nonadmitted				

Note 9C4				
(1) Description	(2) Statutory	(3) Tax	(4) Difference	(5) Tax Effect
09C0499 Total - DTLs

Note 9C5				
(1) Description	(2) 2002	(3) 2001	(4) Change	
09C0599 Total - DTAs	

Note 9C6			
Description	(1) 2002	(2) 2001	(3) Change
The changes in main components of DTAs and DTLs are as follows:			
6. DTAs nonadmitted

Note 9C7			
(1) Description	(2) 2002	(3) 2001	(4) Change
09C0799 Total - DTLs

Notes 9D1 & 9D2			
Description		(1) Amount	(2) Tax Effect
9D.	Among the more significant book to tax adjustments were the following:		
1.	Income before taxes .....	.....	.....
2.	Book over tax reserves .....	.....	.....

Note 9D3		
(1) Description	(2) Amount	(3) Tax Effect
09D0399 Total - Adjustments

Note 9D4			
Description		(1) Amount	(2) Tax Effect
4.	Taxable Income .....	.....	.....

Note 9E2		(1) Amount
Year		
2.	The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:	
A.	2002 .....	.....
B.	2001 .....	.....
C.	2000 .....	.....

NOTES TO FINANCIAL STATEMENT (Continued)

Note 10E	
Description	(1) Amount
10E. Any guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that result in a material contingent exposure of the reporting entity's or any related party's assets or liabilities

Note 12A				
Description		Pension Benefits		Other Benefits
		(1) 2002	(2) 2001	(3) 2002
				(4) 2001
12A. Defined Benefit Plan: The Company sponsors non-contributory defined benefit pension plans covering U.S. Employees. As of December 31, 2002, the Company accrued in accordance with actuarially determined amounts with an offset to the pension cost accrual for the incremental asset amortization. A summary of assets, obligations and assumptions of the Pension and Other Post retirement Benefit Plans are as follows at December 31, 2001 and 2002:				
1. Change in benefit obligation				
A. Benefit obligation at beginning of year				
B. Service cost				
C. Interest cost				
D. Contribution by plan participants				
E. Actuarial gain (loss)				
F. Foreign currency exchange rate changes				
G. Benefits paid				
H. Plan amendments				
I. Business combinations, divestitures, curtailments, settlements and special termination benefits				
J. Benefit obligation at end of year				
2. Change in plan assets				
A. Fair value of plan assets at beginning of year				
B. Actual return on plan assets				
C. Foreign currency exchange rate changes				
D. Employer contribution				
E. Plan participants' contributions				
F. Benefits paid				
G. Business combinations, divestitures and settlements				
H. Fair value of plan assets at end of year				
3. Funded status				
A. Unamortized prior service cost				
B. Unrecognized net gain or (loss)				
C. Remaining net obligation or net asset at initial date of application				
D. Prepaid assets or accrued liabilities				
E. Intangible asset				
4. Benefit obligation for non-vested employees				
5. Components of net periodic benefit cost				
A. Service cost				
B. Interest cost				
C. Expected return on plan assets				
D. Amortization of unrecognized transition obligation or transition asset				
E. Amount of recognized gains and losses				
F. Amount of prior service cost recognized				
G. Amount of gain or loss recognized due to a settlement or curtailment				
H. Total net periodic benefit cost				
7. Weighted-average assumptions as of December 31				
A. Discount rate				
B. Rate of compensation increase				
C. Expected long-term rate of return on plan assets				

Note 12A (Continued) Note 12A09		
Description	(1) 1 Percentage Point Increase	(2) 1 Percentage Point Decrease
9. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:		
A. Effect on total of service and interest cost components		
B. Effect on post retirement benefit obligation		

NOTES TO FINANCIAL STATEMENT (Continued)

Note 13	
Description	(1) Amount
1309. The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:	
A. Unrealized gains and losses:
B. Nonadmitted asset values:
C. Separate account business:
D. Asset valuation reserves:
E. Provision for reinsurance:

Note 13 (Continued), Note 1310								
1	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal And/Or Interest Paid Current Year	Total Principal And/Or Interest Paid	Unapproved Principal And/Or Interest	Date of Maturity
1310999 Total				(a)				X X X ...

(a) Total should agree with Page 3, Line 22.

Note 13 (Continued), Note 1311		
(1)	(2)	(3)
Description	Change in Year Surplus	Change in Gross Paid-in and Contributed Surplus
1311999 Total - Impact of any Restatement due to Prior Quasi-Reorganizations		

Note 14	
Description	(1) Amount
14A. Disclose any commitment or contingent commitment to a Subsidiary, Controlled and Affiliated (SCA) entity, joint venture, partnership, or limited liability company (e.g., guarantees or commitments to provide additional capital contributions).	
1. Total contingent liabilities

Note 15	
Description	(1) Operating Leases
15A02. For leases having initial or remaining noncancelable lease terms in excess of one year: Future minimum rental payments required as of the date of the latest balance sheet presented, in the aggregate and for each of the five succeeding years:	
A. At January 1, 2002, the minimum aggregate rental commitments are as follows:	
1. 2002
2. 2003
3. 2004
4. 2005
5. 2006
6. 2007
15B01. Lessor Leases:	
C. Future minimum lease payment receivables under noncancelable leasing arrangements as of December 31, 2001 are as follows:	
1. 2002
2. 2003
3. 2004
4. 2005
5. 2006
6. 2007
7. Net minimum future lease receipts (Lines 1 to 6)

NOTES TO FINANCIAL STATEMENT (Continued)

Note 15 (Continued) Note 15B02		
Description	(1) 2002	(2) 2001
15B02. Leveraged Leases:		
B. The Company's investment in leveraged leases relates to equipment used primarily in the transportation industries. The component of net income from leveraged leases at December 31, 2001 and 2002 were as shown below (In thousands)		
1. Income from leveraged leases before income tax including investment tax credit		
2. Less current income tax		
3. Net income from leveraged leases (Lines 1 - 2)		
C. The components of the investment in leveraged leases at December 31, 2001 and 2002 were as shown below (In thousands)		
1. Lease contracts receivable (net of principal and interest on non-recourse financing) ...		
2. Estimated residual value of leased assets		
3. Unearned and deferred income		
4. Investment in leveraged leases		
5. Deferred income taxes related to leveraged leases		
6. Net investment in leveraged leases (Lines 1 + 2 + 3 + 4 + 5)		

Note 16				
Description	Assets		Liabilities	
	(1) 2002	(2) 2001	(3) 2002	(4) 2001
1601. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk				
A. Swaps				
B. Futures				
C. Options				
D. TOTAL (Lines A + B + C)				

Note 17				
Description	(1) Number of Transactions	(2) Book Value of Securities Sold	(3) Cost of Securities Repurchased	(4) Gain/ (Loss) (Cols. 2 - 3)
17C02. The details by NAIC designation 3 or below of securities sold during the first quarter ended March 31, 2002 and reacquired within 30 days of the sale date are:				
Bonds:				
A. NAIC 3				
B. NAIC 4				
C. NAIC 5				
D. NAIC 6				
Preferred Stocks:				
E. NAIC P/RP3				
F. NAIC P/RP4				
G. NAIC P/RP5				
H. NAIC P/RP6				

Note 18A			
Description	(1) ASO Uninsured Plans	(2) Uninsured Portion of Partially Insured Plans	(3) Total ASO (Cols. 1 + 2)
18A. The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2002:			
A. Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses			
B. Total net other income or expenses (including interest paid to or received from plans)			
C. Net gain or (loss) from operations			
D. Total claim payment volume (Lines A + B + C)			

NOTES TO FINANCIAL STATEMENT (Continued)

Note 18B				
Description		(1) ASC Uninsured Plans	(2) Uninsured Portion of Partially Insured Plans	(3) Total ASC (Cols. 1 + 2)
18B.	The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 2002:			
A.	Gross reimbursement for medical cost incurred			
B.	Gross administrative fees accrued			
C.	Other income or expenses (including interest paid to or received from plans)			
D.	Gross expenses incurred (claims and administrative)			
E.	Total net gain or (loss) from operations (Lines A + B + C - D)			

Note 19					
(1)	(2)	(3)	(4)	(5)	(6)
Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Type of Business Written	Type of Authority Granted	Total Direct Premiums Written/ Produced By
1999999 Total					

Note 22B				
(1)	(2)	(3)	(4)	(5)
Name of Reinsurer	Total Amount in Dispute (Including IBNR)	Notification	Arbitration	Litigation
22B9999 Total - Reinsurance Recoverable in Dispute				

Note 22C						
Description	Assumed Reinsurance		Ceded Reinsurance		Net	
	(1) Premium Reserve	(2) Commission Equity	(3) Premium Reserve	(4) Commission Equity	(5) Premium Reserve	(6) Commission Equity
22C01. Reinsurance Assumed and Ceded						
A. Affiliates						
B. All Other						
C. TOTAL (Lines A + B)						
D. Direct Unearned Premium Reserve						

Note 22C (Continued) Note 22C02				
Description	REINSURANCE			
	(1)	(2)	(3)	(4)
	Direct	Assumed	Ceded	Net
22C02. The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this statement as a result of existing contractual arrangements are accrued as follows:				
A. Contingent Commission				
B. Sliding Scale Adjustments				
C. Other Profit Commission Arrangements				
D. TOTAL (Lines A + B + C)				

Note 22D	
Description	(1) Amount
22D01. The Company has written off in the current year reinsurance balances due (from the companies listed below) the amount of	
Which is reflected as:	
A. Losses incurred	
B. Loss adjustment expenses incurred	
C. Premiums earned	
D. Other	

NOTES TO FINANCIAL STATEMENT (Continued)

Note 22D (Continued) Note 22D1E	
(1) Name of Company	(2) Amount
22D1E99 Total - Reinsurance Balances Written Off

Notes 22E1 - 22E4	
Description	(1) Amount
22E. The Company has reported in its operations in the current year as a result of commutation of reinsurance with the companies listed below, amounts which are reflected as:	
1. Losses incurred
2. Loss adjustment expenses incurred
3. Premiums earned
4. Other

Note 22E (Continued) Note 22E5	
(1) Company	(2) Amount
22E0599 Total - Commutation of Reinsurance

Note 22F1		
As:	Reported Company	
	(1) Assumed	(2) Ceded
22F01. Retroactive Insurance		
A. Reserves Transferred:		
1. Initial Reserves
2. Adjustments - Prior Year(s)
3. Adjustments - Current Year
4. Current Total (Lines 1 + 2 + 3)
B. Consideration Paid or Received:		
1. Initial Consideration
2. Adjustments - Prior Year(s)
3. Adjustments - Current Year
4. Current Total (Lines 1 + 2 + 3)
C. Paid Losses Reimbursed or Recovered:		
1. Prior Year(s)
2. Current Year
3. Current Total (Lines 1 + 2)
D. Special Surplus from Retroactive Reinsurance:		
1. Initial Surplus Gain or Loss
2. Adjustments - Prior Year(s)
3. Adjustments - Current Year
4. Current Year Restricted Surplus
5. Cumulative Total Transferred to Unassigned Funds (Lines 1 + 2 + 3 + 4)

Note 22F1 (Continued) Note 22F1E		
(1) Company	(2) Assumed Amount	(3) Ceded Amount
22F1E99 Total - Cedents and Reinsurers Involved in Transactions Included in Summary Totals Above

Note 22F1 (Continued) Note 22F1F		
(1) Company	(2) Total Paid/Losses LAE Recoverage	(3) Amount Over 90 Days Overdue
22F1F99 Total - Authorized Reinsurers .....	..... (a)	..... (a)

(a) Total amounts must agree with totals in a.4 above. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

Note 22F2F			
(1) Company	(2) Total Paid/Loss/ LAE Recoverables	(3) Amount Over 90 Days Overdue	(4) Collateral Held
22F2F99 Total - Unauthorized Reinsurers .....	..... (a)	.....	..... (a)

(a) Total amounts must agree with totals in a.4 above. Include the NAIC Company Code or Alien Insurer Identification Number for each insurer listed.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities	5,728,404	11.425	5,728,404	11.425
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies	14,265,645	28.453	14,265,645	28.453
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43	Revenue and assessment obligations				
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Guaranteed by GNMA				
1.512	Issued by FNMA and FHLMC				
1.513	Privately issued				
1.52	CMOs and REMICs:				
1.521	Issued by FNMA and FHLMC				
1.522	Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523	All other privately issued				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
5.	Real estate investments:				
5.1	Property occupied by company				
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt)				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt)				
6.	Policy loans				
7.	Receivables for securities				
8.	Cash and short-term investments	30,144,002	60.122	30,144,002	60.122
9.	Other invested assets				
10.	Total invested assets	50,138,051	100.000	50,138,051	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
- 1.3 State Regulating?

Tennessee
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

03/31/2000
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

03/31/2000
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/31/2001
- 3.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES (continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young - 300 Krystal Building - One Union Square - Chattanooga, TN 37402

9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Betty Anne Neal, FSA, MAAA - Vice President of Underwriting & Actuarial Services - BlueCross BlueShield of Tennessee

10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
10.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
N/A

10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?
10.3 Have there been any changes made to any of the trust indentures during the year?
10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?
- Yes[] No[] N/A[X]

Yes[] No[] N/A[X]

Yes[] No[] N/A[X]

BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?
- Yes[X] No[]

Yes[X] No[]

Yes[X] No[]

FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
14.11 To directors or other officers
14.12 To stockholders not officers
14.13 Trustees, supreme or grand (Fraternal only)

14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
14.21 To directors or other officers
14.22 To stockholders not officers
14.23 Trustees, supreme or grand (Fraternal only)
- \$
\$
\$

\$
\$
\$
- 15.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

15.2 If yes, state the amount thereof at December 31 of the current year:
15.21 Rented from others
15.22 Borrowed from others
15.23 Leased from others
15.24 Other
- Yes[] No[X]

\$
\$
\$
\$
- Disclose in Notes to Financial the nature of each obligation.

16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

16.2 If answer is yes:
16.21 Amount paid as losses or risk adjustment
16.22 Amount paid as expenses
16.23 Other amounts paid
- Yes[] No[X]

\$
\$
\$

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

		1	2	3	4	5	6
Class		Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price If Callable	Is Dividend Rate Limited?	Are Dividends Cumulative?
1.	Preferred .....	.....	.....	.....	.....	Yes[] No[] N/A[X]	Yes[] No[] N/A[X]
2.	Common .....	..... 1,000,000	..... 1,000,000	..... 100.000	..... X X X .....	..... X X X .....	..... X X X

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes[] No[X]

18.2 If no, give full and complete information, relating thereto:
Mellon Trust - Pittsburgh, PA; Union Planters Trust - Memphis, TN

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1). Yes[] No[X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21	Loaned to others	\$
19.22	Subject to repurchase agreements	\$
19.23	Subject to reverse repurchase agreements	\$
19.24	Subject to dollar repurchase agreements	\$
19.25	Subject to reverse dollar repurchase agreements	\$
19.26	Pledged as collateral	\$
19.27	Placed under option agreements	\$
19.28	Letter stock or securities restricted as to sale	\$
19.29	Other	\$

19.3 For each category above, if any of these assets are held by other, identify by whom held:

19.31
19.32
19.33
19.34
19.35
19.36
19.37
19.38
19.39
For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
.....

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]

21.2 If yes, state the amount thereof at December 31 of the current year. \$

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
22.1 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1		2
Name of Custodian(s)		Custodian's Address
22.1001	Union Planters Bank N.A.	PO Box 387 Memphis, TN 38119
22.1002	Mellon Bank N.A.	PO Box 371791 Pittsburgh, PA 15251

GENERAL INTERROGATORIES (continued)

INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes[] No[X]
22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

22.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
17454	Mellon Bank N.A.	PO Box 371791 Pittsburgh, PA 15251
4161	Morgan Keegan	50 Front Street Memphis, TN 38103
18229	NBC Capital Markets	850 Ridge Lake Blvd. Memphis, TN 38120
111807	Union Planters Bank N.A.	PO Box 387 Memphis, TN 38147

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$
23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
None

24.1 Amount of payments for legal expenses, if any? \$202,535
24.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Baker, Donelson, Bearman & Caldwell .....	.....202,535

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$
25.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
None

GENERAL INTERROGATORIES (continued)
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]

1.2 If yes, indicate premium earned on U.S. business only:

\$

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31 Reason for excluding:

1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6 Individual policies - Most current three years:

1.61 Total premium earned

\$

1.62 Total incurred claims

\$

1.63 Number of covered lives

\$

All years prior to most current three years:

1.64 Total premium earned

\$

1.65 Total incurred claims

\$

1.66 Number of covered lives

\$

1.7 Group policies - Most current three years:

1.71 Total premium earned

\$

1.72 Total incurred claims

\$

1.73 Number of covered lives

\$

All years prior to most current three years:

1.74 Total premium earned

\$

1.75 Total incurred claims

\$

1.76 Number of covered lives

\$

2.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]

2.2 If yes, give particulars:

3.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[]

3.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]

4.1 Does the reporting entity have stop-loss reinsurance?

Yes[] No[X]

4.2 If no, explain:

For the period July 2001- June 2002, the Company is only at risk for a maximum of \$33M. Effective July 2002, the Company entered into a non-risk bearing arrangement with the State of Tennessee.

4.3 Maximum retained risk (see instructions):

4.31 Comprehensive Medical

\$

4.32 Medical Only

\$

4.33 Medicare Supplement

\$

4.34 Dental

\$

4.35 Other Limited Benefit Plan

\$

4.36 Other

\$

5. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

If insolvency occurs, BCBST satisfies claims for the covered period. All agreements with providers include statutory hold harmless provisions. Other MCOs in the State would be required to take enrollees.

6.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[X] No[]

6.2 If no, give details:

7. Provide the following information regarding participating providers:

7.1 Number of providers at start of reporting year

..... 10717

7.2 Number of providers at end of reporting year

..... 10602

8.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]

8.2 If yes, direct premium earned:

8.21 Business with rate guarantees between 15-36 months

..... 0

8.22 Business with rate guarantees over 36 months

..... 0

9.1 Does the reporting entity have Bonus/Withhold Arrangements in its provider contracts?

Yes[X] No[]

9.2 If yes:

9.21 Maximum amount payable bonuses

\$

9.22 Amount actually paid for year bonuses

\$ 3,126,150

9.23 Maximum amount payable withholds

\$

9.24 Amount actually paid for year withholds

\$

10. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
First Tennessee CSA, TN
Southeast CSA, TN
Upper Cumberland CSA, TN
Hamilton County CSA, TN
Mid-Cumberland CSA, TN
South Central CSA, TN
Davidson County CSA, TN
Northwest CSA, TN
Southwest CSA, TN
Shelby County CSA, TN
East Tennessee CSA, TN
Knox County CSA, TN

FIVE-YEAR HISTORICAL DATA

	1 2002	2 2001	3 2000	4 1999	5 1998
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	54,419,629	220,291,361	271,783,526	188,654,609	193,920,306
2. Total liabilities (Page 3, Line 18)	19,746,492	155,595,505	202,969,166	120,325,362	122,552,673
3. Statutory surplus	16,673,233	19,844,344	27,880,145	16,033,674	15,654,237
4. Total capital and surplus (Page 3, Line 26)	34,673,137	64,695,856	68,814,360	68,329,247	71,367,633
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	290,620,958	847,690,612	1,048,472,108	993,310,449	822,738,273
6. Total medical and hospital expenses (Line 17)	283,587,061	747,928,062	950,997,592	903,481,582	693,266,321
7. Total administrative expenses (Line 19)	13,783,835	41,055,640	107,623,924	101,852,725	100,724,723
8. Net underwriting gain (loss) (Line 22)	(23,596,848)	8,527,795	(10,149,408)	(12,023,858)	28,747,229
9. Net investment gain (loss) (Line 25)	2,733,376	12,453,462	13,136,351	10,595,669	9,256,080
10. Total other income (Lines 26 plus 27)					
11. Net income or (loss) (Line 30)	(12,466,504)	16,569,101	2,986,943	(1,428,189)	38,003,309
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	34,673,137	64,695,856	68,814,360	68,329,247	71,367,633
13. Authorized control level risk-based capital	8,441,711	9,875,529	15,928,978	25,723,270	20,088,017
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)		288,358	591,137	630,563	571,416
15. Total members months (Column 6, Line 7)	1,727,303	5,346,473	7,242,417	7,484,895	6,730,099
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5)					
16. Premiums earned (Lines 2 plus 3)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 17)	97.6	86.8	88.6	91.3	84.7
18. Total underwriting deductions (Line 21)	108.1	97.4	98.7	101.6	97.0
19. Total underwriting gain (loss) (Line 22)	(8.1)	1.0	(0.9)	(1.2)	3.5
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	86,345,600	162,150,890	88,521,059	100,802,977	65,801,642
21. Estimated liability of unpaid claims-[prior year (Line 11, Col. 6)] ..	97,761,847	165,006,020	102,928,244	109,031,843	90,773,152

FIVE-YEAR HISTORICAL DATA (Continued)

		1 2002	2 2001	3 2000	4 1999	5 1998
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES						
22.	Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23.	Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
24.	Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)					
25.	Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26.	Affiliated mortgage loans on real estate					
27.	All other affiliated					
28.	Total of above Lines 22 to 27					

NONE



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION: 2. DIVISION:

NAIC Group Code 0000

BUSINESS IN THE STATE OF **GRAND TOTAL** DURING THE YEAR

NAIC Company Code 00000

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	288,358	.....	.....	.....	.....	.....	.....	.....	288,358	.....
2. First Quarter	283,463	.....	.....	.....	.....	.....	.....	.....	283,463	.....
3. Second Quarter	282,426	.....	.....	.....	.....	.....	.....	.....	282,426	.....
4. Third Quarter .....		.....	.....	.....	.....	.....	.....	.....		.....
5. Current Year .....		.....	.....	.....	.....	.....	.....	.....		.....
6. Current Year Member Months	1,727,303	.....	.....	.....	.....	.....	.....	.....	1,727,303	.....
Total Member Ambulatory Encounters for Year:										
7. Physician	1,466,449	.....	.....	.....	.....	.....	.....	.....	1,466,449	.....
8. Non-Physician	446,331	.....	.....	.....	.....	.....	.....	.....	446,331	.....
9. Total	1,912,780	.....	.....	.....	.....	.....	.....	.....	1,912,780	.....
10. Hospital Patient Days Incurred	105,402	.....	.....	.....	.....	.....	.....	.....	105,402	.....
11. Number of Inpatient Admissions	19,733	.....	.....	.....	.....	.....	.....	.....	19,733	.....
12. Premiums Collected	293,047,346	.....	.....	.....	.....	.....	.....	.....	293,047,346	.....
13. Premiums Earned	290,620,958	.....	.....	.....	.....	.....	.....	.....	290,620,958	.....
14. Amount Paid for Provision of Health Care Services	379,792,523	.....	.....	.....	.....	.....	.....	.....	379,792,523	.....
15. Amount of Incurred for Provision of Health Care Services	283,587,061	.....	.....	.....	.....	.....	.....	.....	283,587,061	.....

34 Grand Total



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

REPORT FOR: 1. CORPORATION: 2. DIVISION:

NAIC Group Code 0000

BUSINESS IN THE STATE OF **TENNESSEE** DURING THE YEAR

NAIC Company Code 00000

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	288,358	.....	.....	.....	.....	.....	.....	.....	288,358	.....
2. First Quarter	283,463	.....	.....	.....	.....	.....	.....	.....	283,463	.....
3. Second Quarter	282,426	.....	.....	.....	.....	.....	.....	.....	282,426	.....
4. Third Quarter .....		.....	.....	.....	.....	.....	.....	.....		.....
5. Current Year .....		.....	.....	.....	.....	.....	.....	.....		.....
6. Current Year Member Months	1,727,303	.....	.....	.....	.....	.....	.....	.....	1,727,303	.....
Total Member Ambulatory Encounters for Year:										
7. Physician	1,466,449	.....	.....	.....	.....	.....	.....	.....	1,466,449	.....
8. Non-Physician	446,331	.....	.....	.....	.....	.....	.....	.....	446,331	.....
9. Total	1,912,780	.....	.....	.....	.....	.....	.....	.....	1,912,780	.....
10. Hospital Patient Days Incurred	105,402	.....	.....	.....	.....	.....	.....	.....	105,402	.....
11. Number of Inpatient Admissions	19,733	.....	.....	.....	.....	.....	.....	.....	19,733	.....
12. Premiums Collected	293,047,346	.....	.....	.....	.....	.....	.....	.....	293,047,346	.....
13. Premiums Earned	290,620,958	.....	.....	.....	.....	.....	.....	.....	290,620,958	.....
14. Amount Paid for Provision of Health Care Services	379,792,523	.....	.....	.....	.....	.....	.....	.....	379,792,523	.....
15. Amount of Incurred for Provision of Health Care Services	283,587,061	.....	.....	.....	.....	.....	.....	.....	283,587,061	.....

SCHEDULE A - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value, December 31, prior year (prior year statement)	
2.	Increase (decrease) by adjustment:	
2.1	Totals, Part 1, Column 10	
2.2	Totals, Part 3, Column 7	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
4.1	Totals, Part 1, Column 13	
4.2	Totals, Part 3, Column 9	
5.	Total profit (loss) on sales, Part 3, Column 14	
6.	Increase (decrease) by foreign exchange adjustment	
6.1	Totals, Part 1, Column 11	
6.2	Totals, Part 3, Column 8	
7.	Amounts received on sales, Part 3, Column 11 and Part 1, Column 12	
8.	Book/adjusted carrying value at the end of current period	
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, current period)	

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

1.	Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year	
2.	Amount loaned during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount and mortgage interest points and commitment fees	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of mortgages owned at end of current period	

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	
2.	Cost of acquisitions during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book/adjusted carrying value of long-term invested assets at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of long-term invested assets at end of current period	

NONE

SCHEDULE D - SUMMARY BY COUNTRY
Long-term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	19,994,049	20,109,749	20,143,420	19,400,000
	2.	Canada				
	3.	Other Countries				
	4.	Totals	19,994,049	20,109,749	20,143,420	19,400,000
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States				
	10.	Canada				
	11.	Other Countries				
	12.	Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States				
	14.	Canada				
	15.	Other Countries				
	16.	Totals				
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States				
	22.	Canada				
	23.	Other Countries				
	24.	Totals				
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	19,994,049	20,109,749	20,143,420	19,400,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States				
	36.	Canada				
	37.	Other Countries				
	38.	Totals				
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks				
	56.	Total Bonds and Stocks	19,994,049	20,109,749	20,143,420	

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....

SCHEDULE D - Verification Between Years

1. Book/adjusted carrying value of bonds and stocks, prior year.	28,902,575	6. Foreign Exchange Adjustment	
2. Cost of bonds and stocks acquired, Column 6, Part 3.....	31,658,420	6.1 Column 17, Part 1.....	
3. Increase (decrease) by adjustment:		6.2 Column 13, Part 2, Section 1.....	
3.1 Column 16, Part 1.....	(149,371)	6.3 Column 11, Part 2, Section 2.....	
3.2 Column 12, Part 2, Section 1.....		6.4 Column 11, Part 4.....	
3.3 Column 10, Part 2, Section 2.....			
3.4 Column 10, Part 4.....	(364,343)	7. Book/adjusted carrying value at end of current period.....	19,994,049
4. Total gain (loss), Column 14, Part 4.....	(26,482)	8. Total valuation allowance.....	
5. Deduct consideration for bonds and stocks disposed of		9. Subtotal (Lines 7 plus 8).....	19,994,049
Column 6, Part 4.....	40,026,750	10. Total nonadmitted assets.....	
		11. Statement value of bonds and stocks, current period.....	19,994,049

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1.	U.S. GOVERNMENTS, SCHEDULES D & DA (Group 1)											
1.1	Class 1	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	
1.2	Class 2											
1.3	Class 3											
1.4	Class 4											
1.5	Class 5											
1.6	Class 6											
1.7	TOTALS	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	
2.	ALL OTHER GOVERNMENTS, SCHEDULES D & DA (Group 2)											
2.1	Class 1											
2.2	Class 2											
2.3	Class 3											
2.4	Class 4											
2.5	Class 5											
2.6	Class 6											
2.7	TOTALS											
3.	STATES, TERRITORIES AND POSSESSIONS ETC., GUARANTEED, SCHEDULES D & DA (Group 3)											
3.1	Class 1											
3.2	Class 2											
3.3	Class 3											
3.4	Class 4											
3.5	Class 5											
3.6	Class 6											
3.7	TOTALS											
4.	POLITICAL SUBDIVISIONS OF STATES, TERRITORIES & POSSESSIONS, GUARANTEED, SCHEDULES D & DA (Group 4)											
4.1	Class 1											
4.2	Class 2											
4.3	Class 3											
4.4	Class 4											
4.5	Class 5											
4.6	Class 6											
4.7	TOTALS											
5.	SPECIAL REVENUE & SPECIAL ASSESSMENT OBLIGATIONS ETC., NON-GUARANTEED, SCHEDULES D & DA (Group 5)											
5.1	Class 1											
5.2	Class 2											
5.3	Class 3											
5.4	Class 4											
5.5	Class 5											
5.6	Class 6											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. PUBLIC UTILITIES (UNAFFILIATED), SCHEDULES D & DA (Group 6)											
6.1 Class 1											
6.2 Class 2											
6.3 Class 3											
6.4 Class 4											
6.5 Class 5											
6.6 Class 6											
6.7 TOTALS											
7. INDUSTRIAL & MISCELLANEOUS (UNAFFILIATED), SCHEDULES D & DA (Group 7)											
7.1 Class 1											
7.2 Class 2											
7.3 Class 3											
7.4 Class 4											
7.5 Class 5											
7.6 Class 6											
7.7 TOTALS											
8. CREDIT TENANT LOANS, SCHEDULES D & DA (Group 8)											
8.1 Class 1											
8.2 Class 2											
8.3 Class 3											
8.4 Class 4											
8.5 Class 5											
8.6 Class 6											
8.7 TOTALS											
9. PARENT, SUBSIDIARIES AND AFFILIATES, SCHEDULES D & DA (Group 9)											
9.1 Class 1											
9.2 Class 2											
9.3 Class 3											
9.4 Class 4											
9.5 Class 5											
9.6 Class 6											
9.7 TOTALS											

NONE

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. TOTAL BONDS CURRENT YEAR												
10.1	Class 1	46,172,729	15,898,250				62,070,979	100.00	X X X	X X X	62,070,979	
10.2	Class 2								X X X	X X X		
10.3	Class 3								X X X	X X X		
10.4	Class 4								X X X	X X X		
10.5	Class 5						(c)		X X X	X X X		
10.6	Class 6						(c)		X X X	X X X		
10.7	TOTALS	46,172,729	15,898,250				(b) 62,070,979	100.00	X X X	X X X	62,070,979	
10.8	Line 10.7 as a % of Column 6	74.39	25.61				100.00	X X X	X X X	X X X	100.00	
11. TOTAL BONDS PRIOR YEAR												
11.1	Class 1	186,104,388	28,902,575				X X X	X X X	215,006,963	100.00	215,006,963	
11.2	Class 2						X X X	X X X				
11.3	Class 3						X X X	X X X				
11.4	Class 4						X X X	X X X				
11.5	Class 5						X X X	X X X	(c)			
11.6	Class 6						X X X	X X X	(c)			
11.7	TOTALS	186,104,388	28,902,575				X X X	X X X	(b) 215,006,963	100.00	215,006,963	
11.8	Line 11.7 as a % of Col. 8	86.56	13.44				X X X	X X X	100.00	X X X	100.00	
12. TOTAL PUBLICLY TRADED BONDS												
12.1	Class 1	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	X X X
12.2	Class 2											X X X
12.3	Class 3											X X X
12.4	Class 4											X X X
12.5	Class 5											X X X
12.6	Class 6											X X X
12.7	TOTALS	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	X X X
12.8	Line 12.7 as a % of Col. 6	74.39	25.61				100.00	X X X	X X X	X X X	100.00	X X X
12.9	Line 12.7 as a % of Line 10.7, Col. 6, Section 10	74.39	25.61				100.00	X X X	X X X	X X X	100.00	X X X
13. TOTAL PRIVATELY PLACED BONDS												
13.1	Class 1										X X X	
13.2	Class 2										X X X	
13.3	Class 3										X X X	
13.4	Class 4										X X X	
13.5	Class 5										X X X	
13.6	Class 6										X X X	
13.7	TOTALS										X X X	
13.8	Line 13.7 as a % of Col. 6							X X X	X X X	X X X	X X X	
13.9	Line 13.7 as a % of Line 10.7, Col. 6, Section 10							X X X	X X X	X X X	X X X	

(a) Includes \$..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$..... current year, \$..... prior year of bonds with Z designations and \$..... current year, \$..... prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$..... current year, \$..... prior year of bonds with 5* designations and \$..... current year, \$..... prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1.	U.S. GOVERNMENTS, SCHEDULES D & DA (Group 1)											
1.1	Issuer Obligations	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	
1.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
1.7	TOTALS	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	
2.	ALL OTHER GOVERNMENTS, SCHEDULES D & DA (Group 2)											
2.1	Issuer Obligations											
2.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3	Defined											
2.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5	Defined											
2.6	Other											
2.7	TOTALS											
3.	STATES, TERRITORIES AND POSSESSIONS, GUARANTEED, SCHEDULES D & DA (Group 3)											
3.1	Issuer Obligations											
3.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3	Defined											
3.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5	Defined											
3.6	Other											
3.7	TOTALS											
4.	POLITICAL SUBDIVISIONS OF STATES, TERRITORIES & POSSESSIONS, GUARANTEED, SCHEDULES D & DA (Group 4)											
4.1	Issuer Obligations											
4.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3	Defined											
4.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5	Defined											
4.6	Other											
4.7	TOTALS											
5.	SPECIAL REVENUE & SPECIAL ASSESSMENT OBLIGATIONS ETC., NON-GUAR., SCH. D & DA (Group 5)											
5.1	Issuer Obligations											
5.2	Single Class Mortgage-Backed/Asset-Backed Bonds											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3	Defined											
5.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5	Defined											
5.6	Other											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
6. PUBLIC UTILITIES (UNAFFILIATED), SCHEDULES D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. INDUSTRIAL & MISCELLANEOUS (UNAFFILIATED), SCHEDULES D & DA (Group 7)											
7.1 Issuer Obligations											
7.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS											
8. CREDIT TENANT LOANS, SCHEDULES D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. PARENT, SUBSIDIARIES AND AFFILIATES, SCHEDULES D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Bonds											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

NONE

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10.	TOTAL BONDS CURRENT YEAR											
10.1	Issuer Obligations	46,172,729	15,898,250				62,070,979	100.00	X X X	X X X	62,070,979	
10.2	Single Class Mortgage-Backed/Asset-Backed Bonds								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
10.3	Defined								X X X	X X X		
10.4	Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
10.5	Defined								X X X	X X X		
10.6	Other								X X X	X X X		
10.7	TOTALS	46,172,729	15,898,250				62,070,979	100.00	X X X	X X X	62,070,979	
10.8	Line 10.7 as a % of Column 6	74.39	25.61				100.00	X X X	X X X	X X X	100.00	
11.	TOTAL BONDS PRIOR YEAR											
11.1	Issuer Obligations	186,104,388	28,902,575				X X X	X X X	215,006,963	100.00	215,006,963	
11.2	Single Class Mortgage-Backed/Asset-Backed Bonds						X X X	X X X				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
11.3	Defined						X X X	X X X				
11.4	Other						X X X	X X X				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
11.5	Defined						X X X	X X X				
11.6	Other						X X X	X X X				
11.7	TOTALS	186,104,388	28,902,575				X X X	X X X	215,006,963	100.00	215,006,963	
11.8	Line 11.7 as a % of Column 8	86.56	13.44				X X X	X X X	100.00	X X X	100.00	
12.	TOTAL PUBLICLY TRADED BONDS											
12.1	Issuer Obligations	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	X X X
12.2	Single Class Mortgage-Backed/Asset-Backed Bonds											X X X
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
12.3	Defined											X X X
12.4	Other											X X X
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
12.5	Defined											X X X
12.6	Other											X X X
12.7	TOTALS	46,172,729	15,898,250				62,070,979	100.00	215,006,963	100.00	62,070,979	X X X
12.8	Line 12.7 as a % of Column 6	74.39	25.61				100.00	X X X	X X X	X X X	100.00	X X X
12.9	Line 12.7 as a % of Line 10.7, Column 6, Section 10	74.39	25.61				100.00	X X X	X X X	X X X	100.00	X X X
13.	TOTAL PRIVATELY PLACED BONDS											
13.1	Issuer Obligations										X X X	
13.2	Single Class Mortgage-Backed/Asset-Backed Bonds										X X X	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
13.3	Defined										X X X	
13.4	Other										X X X	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
13.5	Defined										X X X	
13.6	Other										X X X	
13.7	TOTALS										X X X	
13.8	Line 13.7 as a % of Column 6							X X X	X X X	X X X	X X X	
13.9	Line 13.7 as a % of Line 10.7, Column 6, Section 10							X X X	X X X	X X X	X X X	

SCHEDULE DA - PART 2
Verification of SHORT-TERM INVESTMENTS Between Years

		1	2	3	4	5
		Total	Bonds	Mortgage Loans	Other Short-term Investment Assets (a)	Investments in Parent, Subsidiaries and Affiliates
1.	Book/adjusted carrying value, prior year	186,104,388	186,104,388			
2.	Cost of short-term investments acquired	1,334,775,248	1,334,775,248			
3.	Increase (decrease) by adjustment					
4.	Increase (decrease) by foreign exchange adjustment					
5.	Total profit (loss) on disposal of short-term investments					
6.	Consideration received on disposal of short-term investments	1,478,802,706	1,478,802,706			
7.	Book/adjusted carrying value, current year	42,076,930	42,076,930			
8.	Total valuation allowance					
9.	Subtotal (Lines 7 plus 8)	42,076,930	42,076,930			
10.	Total nonadmitted amounts					
11.	Statement value (Lines 9 minus 10)	42,076,930	42,076,930			
12.	Income collected during year	2,779,994	2,779,994			
13.	Income earned during year	2,536,910	2,536,910			

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment:

SCHEDULE DB - PART A - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Options, Caps, Floors and Insurance Futures Options Owned		
1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year) .....	.....
2.	Cost/Option Premium (Section 2, Column 7) .....	.....
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13) .....	.....
4.	Gain/(Loss) on Termination	
4.1	Recognized (Section 3, Column 14)	
4.2	Used to Adjust Basis of Hedged Item (Section 3, Column 15)	
5.	Consideration received on terminations (Section 3, Column 16)	
6.	Used to Adjust Basis on Open Contracts (Section 1, Column 17)	
7.	Disposition of deferred amount on contracts terminated in prior year:	
7.1	Recognized	
7.2	Used to Adjust Basis of Hedged Item	
8.	Aggregate write-in book value, December 31, Current Year (Lines 1 + 2 + 3 + 4 - 5 - 6 - 7)	

SCHEDULE DB - PART B - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Options, Caps, Floors and Insurance Futures Options Written		
1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year) .....	.....
2.	Consideration received (Section 2, Column 7) .....	.....
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13) .....	.....
4.	Gain/(Loss) on Termination:	
4.1	Recognized (Section 3, Column 14)	
4.2	Used to Adjust Basis (Section 3, Column 15)	
5.	Consideration paid on terminations (Section 3, Column 16)	
6.	Used to Adjust Basis on Open Contracts (Section 1, Column 17)	
7.	Disposition of deferred amount on contracts terminated in prior year:	
7.1	Recognized	
7.2	Used to Adjust Basis	
8.	Aggregate write-in book value, December 31, Current Year (Lines 1+2+3-4-5-6-7)	

SCHEDULE DB - PART C - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Swaps and Forwards

1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year)	
2.	Cost or (Consideration Received) (Section 2, Column 7)	
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13)	
4.	Gain/(Loss) on Termination:	
4.1	Recognized (Section 3, Column 14)	
4.2	Used to Adjust Basis of Hedged Item (Section 3, Column 15)	
5.	Consideration received (or paid) on terminations (Section 3, Column 16)	
6.	Used to Adjust Basis of Hedged Item on Open Contracts	
7.	Disposition of deferred amount on contracts terminated in prior year:	
7.1	Recognized	
7.2	Used to Adjust Basis of Hedged Item	
8.	Aggregate write-in book value, December 31, Current Year (Lines 1+2+3+4-5-6-7)	

SCHEDULE DB - PART D - VERIFICATION BETWEEN YEARS

Verification Between Years of Aggregate Write-in Book Value on Futures Contracts and Insurance Futures Contracts

1.	Aggregate write-in book value, December 31, prior year (Line 8, prior year)	
2.	Change in total Variation Margin on Open Contracts (Difference between years-Section 1, Column 6)	
3.1	Change in Variation Margin on Open Contracts Used to Adjust Basis of Hedged Item (Section 1, Column 11)	
3.2	Change in variation margin on open contracts recognized (Difference between years-Section 1, Column 10)	
4.1	Variation Margin on Contracts Terminated During the Year (Section 3, Column 6)	
4.2	Less	
4.21	Gain/(Loss) Recognized in Current Year (Section 3, Column 7)	
4.22	Gain/(Loss) Used to Adjust Basis of Hedge (Section 3, Column 8)	
4.3	Subtotal (Line 4.1 minus Line 4.2)	
5.1	Net Additions to Cash Deposits (Section 2, Column 7)	
5.2	Less: Net Reductions to Cash Deposits (Section 3, Column 9)	
6.	Subtotal (Lines 1 - 2 + 3.1 + 3.2 - 4.3 + 5.2)	
7.	Disposition of Gain/(Loss) on Contracts Terminated in Prior Year:	
7.1	Recognized	
7.2	Used to Adjust Basis of Hedged Item	
8.	Aggregate write-in book value, December 31, current year (Lines 6 + 7.1 + 7.2)	

SCHEDULE DB - PART E - VERIFICATION BETWEEN YEARS

Verification Of Statement Value and Fair Value of Open Contracts

		Statement Value	
1.	Part A, Section 1, Column 10		
2.	Part B, Section 1, Column 10		
3.	Part C, Section 1, Column 10		
4.	Part D, Section 1, Column 9 - 12		
5.	Lines (1) - (2) + (3) + (4)		
6.	Part E, Section 1, Column 4		
7.	Part E, Section 1, Column 5		
8.	Lines (5) - (6) - (7)		
		Fair Value	
9.	Part A, Section 1, Column 11		
10.	Part B, Section 1, Column 11		
11.	Part C, Section 1, Column 11		
12.	Part D, Section 1, Column 9		
13.	Lines (9) - (10) + (11) + (12)		
14.	Part E, Section 1, Column 7		
15.	Part E, Section 1, Column 8		
16.	Lines (13) - (14) - (15)		

SCHEDULE DB - PART F - SECTION 1
Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset							
1 Replication RSAT Number	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	Derivative Instruments Open		Cash Instrument(s) Held					
					6	7	8	9	10	11	12	
					Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation or Other Description	
					N O N E							
9999999 Totals	X X X	X X X	X X X	X X X

SCHEDULE DB - PART F SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
		1	2	3	4	5	6	7	8	9	10
		Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1.	Beginning Inventory										
2.	Add: Opened or Acquired Transactions										
3.	Add: Increases in Replicated Asset Statement Value	X X X				X X X		X X X		X X X	
4.	Less: Closed or Disposed of Transactions										
5.	Less: Positions Disposed of for Failing Effectiveness Criteria										
6.	Less: Decreases in Replicated (Synthetic) Asset Statement Value	X X X				X X X		X X X		X X X	
7.	Ending Inventory										

NONE

SCHEDULE S - PART 1 - SECTION 2

Reinsurance Assumed Accident and Health Insurance Listed by Reinsured Company as of December 31, Current Year

1	2	3	4	5	6	7	8	9	10	11	12
NAIC Company Code	Federal ID Number	Effective Date	Name of Reinsured	Location	Type of Reinsurance Assumed	Premiums	Unearned Premiums	Reserve Liability Other Than for Unearned Premiums	Reinsurance Payable on Paid and Unpaid Losses	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance
NONE											
0399999 Totals

SCHEDULE S - PART 2

**Reinsurance Recoverable on Paid and Unpaid Losses Listed by
Reinsuring Company as of December 31, Current Year**

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Company	5 Location	6 Paid Losses	7 Unpaid Losses
<div>NONE</div>						
0799999 Totals - Life, Annuity and Accident and Health

SCHEDULE S - PART 3 - SECTION 2

Reinsurance Ceded Accident and Health Insurance Listed by Reinsuring Company as of December 31, Current Year

1	2	3	4	5	6	7	8	9	Outstanding Surplus Relief		12	13
									10	11		
NAIC Company Code	Federal ID Number	Effective Date	Name of Company	Location	Type	Premiums	Unearned Premiums (estimated)	Reserve Credit Taken Other than for Unearned Premiums	Current Year	Prior Year	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance
<div>NONE</div>												
0399999 Totals

SCHEDULE S - PART 4
Reinsurance Ceded To Unauthorized Companies

1	2	3	4	5	6	7	8	9	10	11	12	13	14
NAIC Company Code	Federal ID Number	Effective Date	Name of Reinsurer	Reserve Credit Taken	Paid and Unpaid Losses Recoverable (Debit)	Other Debits	Totals (Cols. 5 + 6 + 7)	Letters of Credit	Trust Agreements	Funds Deposited by and Withheld from Reinsurers	Other	Miscellaneous Balances (Credit)	Sum of Cols. 9+10+11+12+13 But Not in Excess of Col. 8
				NONE									
1199999 Totals (General Account and Separate Accounts combined) .....				.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

SCHEDULE S - PART 5
Five-Year Exhibit of Reinsurance Ceded Business
(000 Omitted)

	1 2002	2 2001	3 2000	4 1999	5 1998
A. OPERATIONS ITEMS					
1. Premiums					
2. Title XVIII-Medicare					
3. Title XIX - Medicaid					
4. Commissions and reinsurance expense allowance					
5. Total medical and hospital expenses					
B. BALANCE SHEET ITEMS					
6. Premiums receivable					
7. Claims payable					
8. Reinsurance recoverable on paid losses					
9. Experience rating refunds due or unpaid					
10. Commissions and reinsurance expense allowances unpaid					
11. Unauthorized reinsurance offset					
C. UNAUTHORIZED REINSURANCE					
(DEPOSITS BY AND FUNDS WITHHELD FROM)					
12. Funds deposited by and withheld from (F)					
13. Letters of credit (L)					
14. Trust agreements (T)					
15. Other (O)					

NONE

SCHEDULE S - PART 6
Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

	1 As Reported (net of ceded)	2 Restatement Adjustments	3 Restated (gross of ceded)
ASSETS (Page 2, Col. 3)			
1. Cash and invested assets (Line 9)	50,138,051		50,138,051
2. Amounts recoverable from reinsurers (Line 12)			
3. Accident and health premiums due and unpaid (Line 10)			
4. Net credit for ceded reinsurance	X X X		
5. All other admitted assets (Balance)	4,281,578		4,281,578
6. Total assets (Line 23)	54,419,629		54,419,629
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1)	1,556,385		1,556,385
8. Accrued medical incentive pool and bonus payments (Line 2)			
9. Premiums received in advance (Line 6)			
10. Reinsurance in unauthorized companies (Line 14)			
11. All other liabilities (Balance)	18,190,107		18,190,107
12. Total liabilities (Line 18)	19,746,492		19,746,492
13. Total capital and surplus (Line 26)	34,673,137	X X X	34,673,137
14. Total liabilities, capital and surplus (Line 27)	54,419,629		54,419,629
NET CREDIT FOR CEDED REINSURANCE			
15. Claims unpaid			
16. Accrued medical incentive pool			
17. Premiums received in advance			
18. Reinsurance recoverable on paid losses			
19. Other ceded reinsurance recoverables			
20. Total ceded reinsurance recoverables			
21. Premiums receivable			
22. Unauthorized reinsurance			
23. Other ceded reinsurance payables/offsets			
24. Total ceded reinsurance payables/offsets			
25. Total net credit for ceded reinsurance			

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

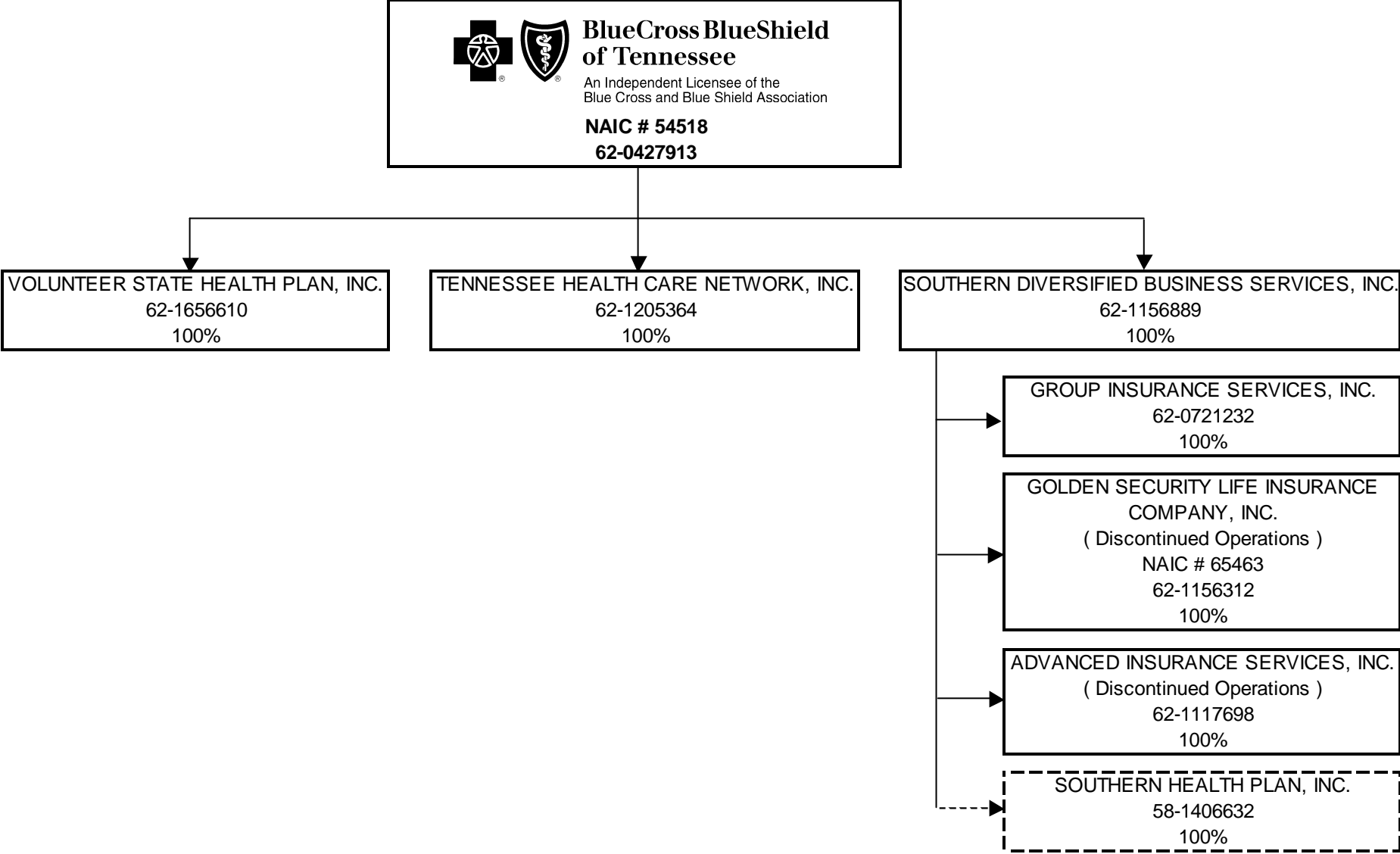
Allocated by States and Territories

			1	2	Direct Business Only			
			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6
State, Etc.					Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL .....	... No ...	... No ...				
2.	Alaska	AK .....	... No ...	... No ...				
3.	Arizona	AZ .....	... No ...	... No ...				
4.	Arkansas	AR .....	... No ...	... No ...				
5.	California	CA .....	... No ...	... No ...				
6.	Colorado	CO .....	... No ...	... No ...				
7.	Connecticut	CT .....	... No ...	... No ...				
8.	Delaware	DE .....	... No ...	... No ...				
9.	District of Columbia	DC .....	... No ...	... No ...				
10.	Florida	FL .....	... No ...	... No ...				
11.	Georgia	GA .....	... No ...	... No ...				
12.	Hawaii	HI .....	... No ...	... No ...				
13.	Idaho	ID .....	... No ...	... No ...				
14.	Illinois	IL .....	... No ...	... No ...				
15.	Indiana	IN .....	... No ...	... No ...				
16.	Iowa	IA .....	... No ...	... No ...				
17.	Kansas	KS .....	... No ...	... No ...				
18.	Kentucky	KY .....	... No ...	... No ...				
19.	Louisiana	LA .....	... No ...	... No ...				
20.	Maine	ME .....	... No ...	... No ...				
21.	Maryland	MD .....	... No ...	... No ...				
22.	Massachusetts	MA .....	... No ...	... No ...				
23.	Michigan	MI .....	... No ...	... No ...				
24.	Minnesota	MN .....	... No ...	... No ...				
25.	Mississippi	MS .....	... No ...	... No ...				
26.	Missouri	MO .....	... No ...	... No ...				
27.	Montana	MT .....	... No ...	... No ...				
28.	Nebraska	NE .....	... No ...	... No ...				
29.	Nevada	NV .....	... No ...	... No ...				
30.	New Hampshire	NH .....	... No ...	... No ...				
31.	New Jersey	NJ .....	... No ...	... No ...				
32.	New Mexico	NM .....	... No ...	... No ...				
33.	New York	NY .....	... No ...	... No ...				
34.	North Carolina	NC .....	... No ...	... No ...				
35.	North Dakota	ND .....	... No ...	... No ...				
36.	Ohio	OH .....	... No ...	... No ...				
37.	Oklahoma	OK .....	... No ...	... No ...				
38.	Oregon	OR .....	... No ...	... No ...				
39.	Pennsylvania	PA .....	... No ...	... No ...				
40.	Rhode Island	RI .....	... No ...	... No ...				
41.	South Carolina	SC .....	... No ...	... No ...				
42.	South Dakota	SD .....	... No ...	... No ...				
43.	Tennessee	TN .....	... No ...	... Yes ..			290,620,958	
44.	Texas	TX .....	... No ...	... No ...				
45.	Utah	UT .....	... No ...	... No ...				
46.	Vermont	VT .....	... No ...	... No ...				
47.	Virginia	VA .....	... No ...	... No ...				
48.	Washington	WA .....	... No ...	... No ...				
49.	West Virginia	WV .....	... No ...	... No ...				
50.	Wisconsin	WI .....	... No ...	... No ...				
51.	Wyoming	WY .....	... No ...	... No ...				
52.	American Samoa	AS .....	... No ...	... No ...				
53.	Guam	GU .....	... No ...	... No ...				
54.	Puerto Rico	PR .....	... No ...	... No ...				
55.	U.S. Virgin Islands	VI .....	... No ...	... No ...				
56.	Canada	CN .....	... No ...	... No ...				
57.	Aggregate other alien	OT .....	... X X X ...	... X X X ...				
58.	TOTAL (Direct Business) .....		... X X X ...	(a)..... 1			290,620,958	

DETAILS OF WRITE-INS							
5701	.....					
5702	.....					
5703	.....					
5798.	Summary of remaining write-ins for Line 57 from overflow page						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)						

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y - PART 1 - ELECTRONIC FILING DATA

Do not include in the bound copy of the annual statement.

NAIC Group Code	Group Name	NAIC Code	State of Domicile	FEI/All Number	Name of Company
.. 0000 00000 .	..... ~ .....	..... 0	~

SCHEDULE Y (continued)
PART 2 - SUMMARY OF INSURER’S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/(Disburse- ments) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred Under Reinsurance Agreements	*	Any Other Material Activity not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
.. 54518 ..	.. 62-0427913 ..	BCBS of TN Inc .....	.....	.... 20,725,000	.....	.....	.... 93,583,714	.....	.....	.....	... 114,308,714	.....
.. 00000 ..	.. 62-1656610 ..	Volunteer State Health Plan, Inc. ....	.....	.. (20,725,000)	.....	.....	.. (93,583,714)	.....	.....	.....	.. (114,308,714)	.....
9999999 Totals .....			.....	.....	.....	.....	.....	.....	X X X	.....	.....	.....

Schedule Y Part 2 Explanation: The Company returned \$20,725,000 in contributed capital to the parent during 2002.

SUPPLEMENTAL EXHIBITS AND SCHEDULES

INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

	Response
1. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?	No
2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?	Yes
3. Will an actuarial certification be filed by March 1?	Yes
4. Will the Risk-based Capital Report be filed with the NAIC by March 1?	No
5. Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1?	Yes
6. Will the SVO Compliance Certification be filed by March 1?	Yes

APRIL FILING

7. Will Management's Discussion and Analysis be filed by April 1?	Yes
8. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile by April 1?	Yes
9. Will the Investment Risks Interrogatories be filed by April 1?	Yes

JUNE FILING

10. Will an audited financial report be filed by June 1 with the state of domicile?	Yes
---	-----

Explanations:

Bar Codes:

Medicare Supplement Insurance Experience Exhibit



00000200236000000 (NAIC code not entered) 2002 Document Code: 360

Risk-Based Capital Filing



00000200239000000 (NAIC code not entered) 2002 Document Code: 390

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1704.	Check/Supense Clearing	916,262		916,262	814,266
1705.	Exigency Post-Settlement Activity	914,418		914,418	2,341,146
1706.	Provision Under Exigency				45,661,870
1797.	Summary of remaining write-ins for Line 17 (Lines 1704 through 1796)	1,830,680		1,830,680	48,817,282

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
0604.	BHO SubCapitation	X X X		3,172,755
0605.	Provision Under Exigency	X X X		(17,031,026)
0697.	Summary of remaining write-ins for Line 6 (Lines 0604 through 0696)	X X X		(13,858,271)

SCHEDULE A - PART 1
Showing all Real Estate OWNED December 31 of Current Year

1	Location		4	5	6	7	8	9	10	11	12	13	14	15
	2	3												
Description of Property	City	State	Date Acquired	Date of Last Appraisal	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Fair Value Less Encumbrances	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Amounts Received During Year	Expended for Additions, Permanent Improvements and Changes in Encumbrances During Year	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred
					NONE									
9999999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED During the Year

1	Location		4	5	6	7	8	9
	2	3						
Description of Property	City	State	Date Acquired	Name of Vendor	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Expended for Additions and Permanent Improvements
<div>NONE</div>								
9999999 Totals

SCHEDULE A - PART 3

Showing all Real Estate SOLD during the Year, including Payments during the Final Year on "Sales under Contract"

1	Location		4	5	6	7	8	9	10	11	12	13	14	15	16
	2	3													
Description of Property	City	State	Disposal Date	Name of Purchaser	Actual Cost	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Expended for Additions, Permanent Improvements and Changes in Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Amounts Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale	Gross Income Earned Less Interest Incurred on Encumbrances	Taxes, Repairs and Expenses Incurred
						N O N E									
9999999 Totals

SCHEDULE B - PART 1

Showing all Mortgage Loans OWNED December 31 of Current Year

1	Location		4	5	6	7	8	9	10	11
	2	3								
Loan Number	City	State	Loan Type	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation
						N O N E				
9999999 GRAND TOTAL .....						.....	.....	.....	.....	..... X X X

General Interrogatory:
1. Mortgages in good standing \$..... unpaid taxes \$..... interest due and unpaid.
2. Restructured mortgages \$..... unpaid taxes \$..... interest due and unpaid.
3. Mortgages with overdue interest over 90 days not in process of foreclosure \$..... unpaid taxes \$..... interest due and unpaid.
4. Mortgages in process of foreclosure \$..... unpaid taxes \$..... interest due and unpaid.

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, transferred or paid in full during the Year

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3			Book Value/ Recorded Investment Excluding Accrued Interest Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book Value/ Recorded Investment Excluding Accrued Interest at Disposition	Consideration Received	Foreign Exchange Profit (Loss) on Sale	Realized Profit (Loss) on Sale	Total Profit (Loss) on Sale
Loan Number	City	State	Loan Type	Date Acquired								
					N O N E							
9999999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets OWNED December 31, Current Year

1 Number of Units and Description	Location		4 Name of Vendor	5 Date Acquired	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment
	2 City	3 State							
<div>NONE</div>									
9999999 Totals

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Year

1 Number of Units and Description	Location		4 Name of Purchaser or Nature of Disposition	5 Date Acquired	6 Book/Adjusted Carrying Value Less Encumbrances, Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book/Adjusted Carrying Value Less Encumbrances at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2	3										
	City	State										
<div>NONE</div>												
9999999 Totals

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

1 CUSIP Identification	2 Description	3 *	Interest		6 Maturity Date	7 Option Date	8 Option Call Price	9 Book/ Adjusted Carrying Value	10 Par Value	11 Rate Used to Obtain Fair Value	12 Fair Value	13 Actual Cost	Interest		16 Increase (Decrease) by Adjustment	17 Increase (Decrease) by Foreign Exchange Adjustment	18 Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest	19 NAIC Desig- nation	20 Date Acquired	21 Effective Rate of Interest
			4	5									14	15						
			Rate of	How Paid									Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default	Gross Amount Received During Year						
U.S. Governments - Issuer Obligations																				
3133MCRV9	FEDERAL HOME LOAN BANK		5.375	JJ	01/05/2004			2,080,534	2,000,000		2,080,535	2,083,620	53,750		(3,086)			1PE	12/17/2002	1.356
3133MMR88	FEDERAL HOME LOAN BANK		3.750	FA	02/13/2004			1,896,921	1,850,000	102.5630	1,897,416	1,898,544	28,906		(1,623)			1PE	12/17/2002	1.458
3134A2T99	FEDERAL HOME LOAN MTG																			
3134A4JH8	CORP		5.000	JJ	01/15/2004			2,071,845	2,000,000	103.7810	2,075,620	2,074,520	50,000		(2,675)			1	12/17/2002	1.508
3134A4JN5	FEDERAL HOME LOAN MTG		3.250	JD	12/15/2003			2,036,643	2,000,000	101.8750	2,037,500	2,038,120	5,417		(1,477)			1	12/17/2002	1.319
31359MEG4	CORP		3.250	JJ	01/15/2004			2,039,470	2,000,000	101.9690	2,039,380	2,040,940	32,500		(1,470)			1	12/17/2002	1.336
31359MEM1	FEDERAL HOME LOAN MTG																			
	CORP		4.750	MN	11/14/2003			2,059,156	2,000,000	102.9690	2,059,380	2,061,780	15,833		(2,624)			1	12/17/2002	1.323
	FEDERAL NATIONAL																			
	MORTGAGE ASSN		5.125	FA	02/13/2004			2,081,076	2,000,000	104.1880	2,083,760	2,083,880	42,708		(2,804)			1	12/17/2002	1.458
912827N81	U S TREASURY NOTE		5.875	FA	02/15/2004			5,728,404	5,550,000	105.1560	5,836,158	5,862,016	122,029	163,031	(133,612)			1	03/01/2002	2.966
0199999 Subtotal - U.S. Governments - Issuer Obligations								19,994,049	19,400,000	X X X	20,109,749	20,143,420	351,143	163,031	(149,371)			X X X	X X X	X X X
0399999 Subtotal - U.S. Governments								19,994,049	19,400,000	X X X	20,109,749	20,143,420	351,143	163,031	(149,371)			X X X	X X X	X X X
5499999 Subtotals - Issuer Obligations								19,994,049	19,400,000	X X X	20,109,749	20,143,420	351,143	163,031	(149,371)			X X X	X X X	X X X
6099999 Grand Total - Bonds								19,994,049	19,400,000	X X X	20,109,749	20,143,420	351,143	163,031	(149,371)			X X X	X X X	X X X

SCHEDULE D - PART 2 - SECTION 1
Showing all PREFERRED STOCKS Owned December 31, Current Year

1 Cusip Identification	2 Description	3 Number of Shares	4 Par Value Per Share	5 Rate Per Share	6 Book/Adjusted Carrying Value	7 Rate Per Share Used to Obtain Fair Value	8 Fair Value	9 Actual Cost	Dividends		12 Increase (Decrease) by Adjustment	13 Increase (Decrease) by Foreign Exchange Adjustment	14 NAIC Designation	15 Date Acquired
									10 Declared but Unpaid	11 Amount Received During Year				
					N O N E									
6599999 Total Preferred Stocks .....					.....	X X X .....	.....	.....	.....	.....	.....	.....	X X X ..	X X X ..

SCHEDULE D - PART 2 - SECTION 2
Showing All COMMON STOCKS Owned December 31 of Current Year

1 CUSIP Identification	2 Description	3 Number of Shares	4 Book/Adjusted Carrying Value	5 Rate Per Share Used to Obtain Fair Value	6 Fair Value	7 Actual Cost	Dividends		10 Increase (Decrease) by Adjustment	11 Increase (Decrease) by Foreign Exchange Adjustment	12 NAIC Designation (a)	13 Date Acquired
							8 Declared But Unpaid	9 Amount Received During Year				
			N O N E									
7199999 Total Preferred and Common Stocks				X X X							X X X	X X X

(a) For all common stocks bearing the NAIC designation "U" provide: the number of such issues, the total \$ value (included in Column 6) of all such issues \$.....

SCHEDULE D - PART 3
Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1	2	3	4	5	6	7	8
CUSIP Identification	Description	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
Bonds - U.S. Governments							
3133MCRV9	FEDERAL HOME LOAN BANK	12/17/2002 ..	Union Planters	X X X	2,083,620	2,000,000.00	48,375
3133MMR88	FEDERAL HOME LOAN BANK	12/17/2002 ..	Union Planters	X X X	1,898,544	1,850,000.00	23,510
3134A2T99	FEDERAL HOME LOAN MTG CORP	12/17/2002 ..	Union Planters	X X X	2,074,520	2,000,000.00	42,222
3134A4JH8	FEDERAL HOME LOAN MTG CORP	12/17/2002 ..	Union Planters	X X X	2,038,120	2,000,000.00	361
3134A4JN5	FEDERAL HOME LOAN MTG CORP	12/17/2002 ..	Union Planters	X X X	2,040,940	2,000,000.00	27,444
31359MEG4	FEDERAL HOME LOAN MTG CORP	12/17/2002 ..	Union Planters	X X X	2,061,780	2,000,000.00	8,446
31359MEM1	FEDERAL NATIONAL MORTGAGE ASSN	12/17/2002 ..	Union Planters	X X X	2,083,880	2,000,000.00	34,736
912827N81	U S TREASURY NOTE	03/01/2002 ..	Union Planters	X X X	5,862,016	5,550,000.00	4,601
0399999 Subtotal - Bonds - U.S. Governments					20,143,420	19,400,000.00	189,695
6099997 Subtotal - Bonds - Part 3					20,143,420	19,400,000.00	189,695
6099998 Summary item from Part 5 for Bonds					11,515,000	11,500,000.00	39,333
6099999 Subtotal - Bonds					31,658,420	30,900,000.00	229,028
6599998 Summary Item from Part 5 for Preferred Stocks						X X X .....	.....
7099998 Summary Item from Part 5 for Common Stocks						X X X .....	.....
7199999 Subtotal - Preferred and Common Stocks						X X X .....	.....
7299999 Totals					31,658,420	X X X	229,028

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year
Bonds - U.S. Governments															
312924DH3 ..	Federal Home Loan Mortgage Corp	05/30/2002	Natl Bank of Commerce .....	... X X X ...	..... 3,007,500	3,000,000.00	..... 3,045,000	..... 3,015,761	..... (27,971)	.....	.....	..... (8,260)	..... (8,260)	..... 110,042	.... X X X
31331LMN5 ..	Federal Farm Credit Bank	07/19/2002	CALLED @ 100.0000000 .....	... X X X ...	..... 5,000,000	5,000,000.00	..... 5,087,500	..... 5,000,000	..... (76,369)	.....	.....	.....	.....	..... 252,500	.... X X X
3133MFHQ4 ..	Federal Home Loan Bank	12/20/2002	Natl Bank of Commerce .....	... X X X ...	..... 1,000,000	1,000,000.00	..... 1,028,756	..... 1,001,513	..... (26,519)	.....	.....	..... (1,513)	..... (1,513)	..... 54,100	.... X X X
3133MFSF6 ..	Federal Home Loan Bank	07/12/2002	CALLED @ 100.0000000 .....	... X X X ...	..... 2,000,000	2,000,000.00	..... 2,028,356	..... 2,000,000	..... (27,853)	.....	.....	.....	.....	..... 103,000	.... X X X
3133MGSS6 ..	Federal Home Loan Bank	05/30/2002	Natl Bank of Commerce .....	... X X X ...	..... 2,007,000	2,000,000.00	..... 2,021,406	..... 2,008,166	..... (12,876)	.....	.....	..... (1,166)	..... (1,166)	..... 76,668	.... X X X
3136F0TB8 ..	Federal National Mortgage Assoc	07/23/2002	CALLED @ 100.0000000 .....	... X X X ...	..... 1,000,000	1,000,000.00	..... 1,015,465	..... 1,000,000	..... (15,062)	.....	.....	.....	.....	..... 51,250	.... X X X
3136F0TK8 ..	Federal National Mortgage Assoc	07/26/2002	CALLED @ 100.0000000 .....	... X X X ...	..... 5,000,000	5,000,000.00	..... 5,079,554	..... 5,000,000	..... (77,246)	.....	.....	.....	.....	..... 252,500	.... X X X
3136F0UC4 ..	Federal National Mortgage Assoc	07/30/2002	CALLED @ 100.0000000 .....	... X X X ...	..... 3,000,000	3,000,000.00	..... 3,049,110	..... 3,000,000	..... (47,740)	.....	.....	.....	.....	..... 151,800	.... X X X
3136FOXG2 ..	Federal National Mortgage Assoc	02/22/2002	CALLED @ 100.0000000 .....	... X X X ...	..... 1,500,000	1,500,000.00	..... 1,507,862	..... 1,500,000	..... (7,682)	.....	.....	.....	.....	..... 37,650	.... X X X
3136F0ZR6 ..	Federal National Mortgage Assoc	05/30/2002	Natl Bank of Commerce .....	... X X X ...	..... 5,012,250	5,000,000.00	..... 5,058,990	..... 5,022,406	..... (35,412)	.....	.....	..... (10,156)	..... (10,156)	..... 173,640	.... X X X
0399999 Subtotal - Bonds - U.S. Governments .....					..... 28,526,750	28,500,000.00	.... 28,921,999	.... 28,547,846	..... (354,730)	.....	.....	..... (21,095)	..... (21,095)	..... 1,263,150	.... X X X
6099997 Subtotal - Bonds - Part 4 .....					..... 28,526,750	28,500,000.00	.... 28,921,999	.... 28,547,846	..... (354,730)	.....	.....	..... (21,095)	..... (21,095)	..... 1,263,150	.... X X X
6099998 Summary Item from Part 5 for Bonds .....					..... 11,500,000	11,500,000.00	.... 11,515,000	.... 11,505,387	..... (9,613)	.....	.....	..... (5,387)	..... (5,387)	..... 83,583	.... X X X
6099999 Subtotal - Bonds .....					..... 40,026,750	40,000,000.00	.... 40,436,999	.... 40,053,233	..... (364,343)	.....	.....	..... (26,482)	..... (26,482)	..... 1,346,733	.... X X X
6599998 Summary Item from Part 5 for Preferred Stocks .....							.... X X X ...							.... X X X ....	.....
7099998 Summary Item from Part 5 for Common Stocks .....							.... X X X ...							.... X X X ....	.....
7199999 Subtotal - Preferred and Common Stocks .....							.... X X X ...							.... X X X ....	.....
7299999 Totals .....					..... 40,026,750		.... X X X ...	.... 40,436,999	.... 40,053,233	..... (364,343)	.....	..... (26,482)	..... (26,482)	..... 1,346,733	.....

SCHEDULE D - PART 5

Showing All Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
CUSIP Identifi- cation	Description	Date Acquired	Name of Vendor	Disposal Date	Name of Purchaser	Par Value (Bonds) or Number of Shares (Stocks)	Actual Cost	Consider- ation	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Interest and Dividends Received During Year	Paid For Accrued Interest and Dividends
Bonds - U.S. Governments																
3133MBKG1	Federal Home Loan Bank	03/21/2002	Natl Bank of Commerce	05/24/2002	Call	1,500,000.000	1,515,000	1,500,000	1,505,387	(9,613)			(5,387)	(5,387)	60,000	39,333
3133MLJF3	FEDERAL HOME LOAN BANK	01/25/2002	Natl Bank of Commerce	03/19/2002	CALLED @ 100.0000000	5,000,000.000	5,000,000	5,000,000	5,000,000						10,625	
3133MMUQ4	Federal Home Loan Bank	03/20/2002	Natl Bank of Commerce	05/16/2002	CALLED @ 100.0000000	5,000,000.000	5,000,000	5,000,000	5,000,000						12,958	
0399999 Subtotal - Bonds - U.S. Governments						11,500,000.000	11,515,000	11,500,000	11,505,387	(9,613)			(5,387)	(5,387)	83,583	39,333
6099998 Subtotal - Bonds						11,500,000.000	11,515,000	11,500,000	11,505,387	(9,613)			(5,387)	(5,387)	83,583	39,333
7299999 Totals							11,515,000	11,500,000	11,505,387	(9,613)			(5,387)	(5,387)	83,583	39,333

SCHEDULE D - PART 6 - SECTION 1

Valuation of Shares of Subsidiary, Controlled or Affiliated Companies

1 CUSIP Identification	2 Description Name of Subsidiary, Controlled or Affiliated Company	3 NAIC Company Code or Alien Insurer Identification Number	4 NAIC Valuation Method (See SVO Purposes and Procedures manual)	5 Do Insurer's Admitted Assets Include Intan- gible Assets connected with Holding of Such Company's Stock?	6 Total Amount of Such Intangible Assets	7 Book/Adjusted Carrying Value	Stock of Such Company Owned by Insurer on Statement Date	
							8 Number of Shares	9 % of Outstanding
<div>NONE</div>								
1799999 Total - Preferred and Common Stocks X X X .....	.... X X X

1. Amount of insurer's capital and surplus from the prior period's statutory statement reduced by any admitted EDP, goodwill and net deferred tax assets included therein: \$.....
2. Total amount of intangible assets nonadmitted \$......

SCHEDULE D - PART 6 - SECTION 2

1	2	3	4	Stock in Lower-tier Company Owned Indirectly by Insurer on Statement Date	
CUSIP Identification	Name of Lower-tier Company	Name of Company Listed in Section 1 Which Controls Lower-tier Company	Total Amount of Intangible Assets Included in Amount Shown in Column 6, Section 1	5	6
				Number of Shares	% of Outstanding
<div>NONE</div>					
0399999 Total - Preferred and Common Stocks X X X .....	.... X X X

SCHEDULE DA - PART 1

Showing all SHORT-TERM INVESTMENT Owned December 31, of Current Year

1 CUSIP Identification	2 Description	3 Date Acquired	4 Name of Vendor	Interest		7 Maturity Date	8 Book/Adjusted Carrying Value	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment	11 Par Value	12 Actual Cost	Interest		15 Paid for Accrued Interest	16 NAIC Designation	17 Effective Rate of Interest
				5 Rate Of	6 How Paid							13 Amount Due and Accrued Dec. 31, of Current Year on Bond Not in Default	14 Gross Amount Received			
6099999 Subtotal - Bonds																
Exempt Money Market Mutual Funds																
60934N203 ... 996085254 ...	FEDERATED PRIME OBLIG MONEY MKT DREYFUS CASH MGMT VAR RATE DUE	12/01/2002	Union Planters	1.260	J	01/01/2003	42,076,930				42,076,930	95,971	2,467,123		1	1.260
12	12	09/03/2002	MELLON TRUST	1.280	J	01/01/2003						517	312,871		1	1.280
7799999 Subtotal - Exempt Money Market Mutual Funds							42,076,930			X X X ...	42,076,930	96,488	2,779,994		X X X .	X X X ...
8099999 Total Short-term Investments							42,076,930			X X X ...	42,076,930	96,488	2,779,994		X X X .	X X X ...

(a) Includes \$...... other than accrual of discount and amortization of premium.

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned December 31 of Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/ Option Premium	Book Value	*	Statement Value	Fair Value	Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income
NONE													
9999999 Total	X X X	.....	.....	.....	.....	.....

SCHEDULE DB - PART A - SECTION 2

Showing all Options, Caps, Floors and Insurance Futures Options Acquired During Current Year

1	2	3	4	5	6	7
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/Option Premium
NONE						
9999999 Total

SCHEDULE DB - PART A - SECTION 3

Showing all Options, Caps, Floors and Insurance Futures Options Terminated During Current Year

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index	5 Date of Acquisition	6 Exchange or Counterparty	7 Cost/ Option Premium	8 Indicate Exercise, Expiration, Maturity or Sale	9 Termination Date	10 Book Value	11 *	12 Consideration Received on Terminations	13 Increase/ (Decrease) by Adjustment	Gain/Loss on Termination			17 Other Investment/ Miscellaneous Income
													14 Recognized	15 Used to Adjust Basis of Hedged Item	16 Deferred	
						N O N E										
9999999 Total							X X X	X X X		X X X						

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force December 31 of Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Cost/ Option Premium	Book Value	*	Statement Value	Fair Value	Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income
						N O N E							
9999999 Total								X X X					

SCHEDULE DB - PART B - SECTION 2

Showing all Options, Caps, Floors and Insurance Futures Options Written During Current Year

1	2	3	4	5	6	7
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received
<div>NONE</div>						
9999999 Grand Total						

SCHEDULE DB - PART B - SECTION 3

Showing all Written Options, Caps, Floors and Insurance Futures Options Terminated During Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	Gain/Loss on Termination			17
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received	Indicate Exercise, Expiration, Maturity or Closing Purchase Transaction	Termination Date	Book Value	*	Consideration Received on Terminations	Increase/ (Decrease) by Adjustment	14	15	16	Other Investment/ Miscellaneous Income
													Recognized	Used to Adjust Basis	Deferred	
						NONE										
9999999 Grand Total .....						.....	... X X X .....	... X X X ...	.....	X X X	.....	.....	.....	.....	.....	.....

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open December 31 of Current Year

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
NONE														
								X X X						
9999999 Grand Total														

SCHEDULE DB - PART C - SECTION 2

Showing all Collar, Swap and Forwards Opened During Current Year

1	2	3	4	5	6	7
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)
NONE						
9999999 Grand Total						

SCHEDULE DB - PART C - SECTION 3
Showing all Collar, Swap and Forwards Terminated During Current Year

1 Description	2 Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price, Rate or Index Rec (Pay)	5 Date of Opening Position or Agreement	6 Exchange or Counterparty	7 Cost or (Consideration Received)	8 Indicate Exercise, Expiration, Maturity or Sale	9 Termination Date	10 Book Value	11 *	12 Consideration Received or (Paid) on Terminations	13 Increase/ (Decrease) by Adjustment	Gain/Loss on Termination			17 Other Investment/ Miscellaneous Income
													14 Recognized	15 Used to Adjust Basis of Hedged Item	16 Deferred	
NONE																
9999999 Grand Total .....								... X X X ...	... X X X ...		X X X				

SCHEDULE DB - PART D - SECTION 1
Showing all Futures Contracts and Insurance Futures Contracts Open December 31 of Current Year

1 Description	2 Number of Contracts	3 Maturity Date	4 Original Value	5 Current Value	6 Variation Margin	7 Date of Opening Position	8 Exchange of Counterparty	9 Cash Deposit	Variation Margin Information			13 Potential Exposure
									10 Recognize	11 Used to Adjust Basis of Hedged Item	12 Deferred	
					NONE							
9999999 Grand Total	X X X	X X X .....	.....	.....	.....	.....	.....

SCHEDULE DB - PART D - SECTION 2

Showing all Futures Contracts and Insurance Futures Contracts Opened During Current Year

1	2	3	4	5	6	7
Description	Number of Contracts	Maturity Date	Original Value	Date of Opening Position	Exchange or Counterparty	Net Additions to Cash Deposits
			N O N E			
9999999 Grand Total				X X X	X X X	

SCHEDULE DB - PART D - SECTION 3

Showing all Futures Contracts and Insurance Futures Contracts Terminated During Current Year

1	2	3	4	5	6	7	8	9	10	Variation Margin Information		
										11	12	13
Description	Number of Contracts	Maturity Date	Original Value	Termination Value	Variation Value	Date of Opening Position	Exchange of Counterparty	Net Reduction to cash Deposits	Termination Date	Gain/(Loss) Recognized	Gain/(Loss) Used to Adjust Basis of Hedged Item	Gain/(Loss) Deferred
					N O N E							
9999999 Grand Total						X X X ...	X X X		X X X ...			

SCHEDULE DB - PART E - SECTION 1
Showing Counterparty Exposure for Derivative Instruments Open December 31 of Current Year

1 Description Counterparty or Exchange Traded	2 Master Agreement (Y or N)	3 Fair Value of Acceptable Collateral	Statement Value			Fair Value			10 Potential Exposure	11 Off-Balance Sheet Exposure
			4 Contracts Statement Value > 0	5 Contracts Statement Value < 0	6 Exposure Net of Collateral	7 Contracts Fair Value > 0	8 Contracts Fair Value < 0	9 Exposure Net of Collateral		
			N O N E							
9999999 Totals										

SCHEDULE DM

For bonds and preferred stocks owned as of December 31, state the aggregate statement (admitted) value, the aggregate fair value, and the aggregate difference, if any, between them.

	1	2	3
	Statement (Admitted) Value	Fair Value (a)	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
1. Bonds	62,070,980	62,189,486	118,506
2. Preferred Stocks			
3. TOTALS	62,070,980	62,189,486	118,506

(a) Amortized or book values shall not be substituted for fair values. Describe the sources or methods utilized in determining the fair values.: Market obtained from custodian bank, Mellon Trust in Pittsburgh, PA which was actual trade data from December 31, 2002 where available. If actual trade data is not available, matrix pricing is used. Prices of securities of similar quality, maturity, coupon and call structure that did trade on December 31, 2002 are averaged to calculate a reasonable market price.

SCHEDULE E - PART 1 - CASH

1			2	3	4	5	6
Depository			Rate of Interest	Amount of Interest Received During Year	Amount of Interest Accrued December 31 of Current Year	Balance	*
open depositories							
Union Planters Bank, NA	835 Georgia Ave., Chattanooga TN 37402 ...					162,013	.
Union Planters Bank, NA	835 Georgia Ave., Chattanooga TN 37402 ...					64,492	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018					(53,374)	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova TN 38018					(87,325)	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018					(5,945,395)	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018					(6,073,339)	.
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X ...				xxx
0199999 Totals - Open Depositories			X X X ...			(11,932,928)	xxx
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X ...				xxx
0299999 Totals - Suspended Depositories			X X X ...				xxx
0399999 Total Cash On Deposit			X X X ...			(11,932,928)	xxx
0499999 Cash in Company's Office			X X X ...	X X X ...	X X X ...		xxx
0599999 Total Cash			X X X ...			(11,932,928)	xxx

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	(223,711)	4. April	(5,457,091)	7. July	(6,668,240)	10. October	(3,276,537)
2. February	(4,325,686)	5. May	(20,621,443)	8. August	(16,968,161)	11. November	(23,474,979)
3. March	(12,091,364)	6. June	(25,960,701)	9. September	(16,486,665)	12. December	(11,932,928)

SCHEDULE E - PART 2 - SPECIAL DEPOSITS

1 Line Number	2 Type	3 Description of Deposit	4 Where Deposited and Purpose of Deposit	5 Par or Book Value	6 Statement Value (a)	7 Fair Value
Tennessee						
TN00001	B	US Treasury Note CUSIP 912827-N8-1	Union Planter Trust - Memphis, TN-TNRSD by Ins Code, Section 56-32-212b	5,550,000	5,728,404	5,836,158
TN99999	Subtotals - Tennessee			5,550,000	5,728,404	5,836,158
XX99999	Subtotals - Special Deposits Not Held for the Benefit Of All Policyholders, Claimants and Creditors of the Company			5,550,000	5,728,404	5,836,158
9999999	Totals			5,550,000	5,728,404	5,836,158

(a) Including \$..... cash and short-term investments as defined in SSAP No.2 of the NAIC Accounting Practices and Procedures Manual.

LONG-TERM CARE EXPERIENCE REPORTING FORM-A

		3	4	5	6	7	8	9
1.	Individual	N O N E		.....	.....	.... XXX .....	.... XXX .....	.... XXX
2.	Group Direct Response .....			.....	.....	.... XXX .....	.... XXX .....	.... XXX
3.	Other Group .....			.....	.....	.... XXX .....	.... XXX .....	.... XXX
4.	TOTAL (Sum of Lines 1 to 3) .....			.....	.....	.... XXX .....	.... XXX .....	.... XXX

LONG-TERM CARE EXPERIENCE REPORTING FORM-B

	3	4	5	6	7	8
1. Individual .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...
2. Group direct response .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...
3. Other group .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...
4. Total (Sum of Lines 1 to 3) .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...
5. Actual total reported experience through statement year .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...
6. Actual total reported experience through prior year .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...
7. Calendar year reported experience (Lines 5 minus 6) .....			... X X X ...	... X X X ...	... X X X ...	... X X X ...

NONE

Note: a. Was experience prior to 1991 used in preparing this form? Yes[] No[X]
b. If yes, indicate the calendar years that were included:



Management's Discussion and Analysis

VOLUNTEER STATE HEALTH PLAN MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2002

HISTORY

Volunteer State Health Plan (VSHP), a wholly owned subsidiary of BlueCross BlueShield of Tennessee (BCBST), began operations November 1, 1996. VSHP provides coverage for TennCareSM members only and does not provide coverage for any other members. VSHP provides services to all Community Service Areas (CSAs) in the State of Tennessee and assumed total medical risk through June 30, 2000. For the period July 1, 2000 through June 30, 2001, VSHP operated under an Exigency amendment which removed all medical risk. Effective July 1, 2001, VSHP entered into two new arrangements with the State of Tennessee. The first arrangement was known as BlueCare East. Under this arrangement, VSHP provided coverage for members in the Grand East Region and was at risk for the first \$33M in underwriting losses. For this contract period, the losses exceeded this loss limit and the State was responsible for excess losses. Effective July 1, 2002, the State of Tennessee converted all managed care organizations (MCO's), to administrative services only (ASO) arrangements. This conversion is called the Stabilization Plan. The second arrangement is statewide and is known as TennCareSM Select. VSHP operates under an ASO agreement for this line of the business. Members include SSI and DCS children, overflow population that other MCO's cannot currently handle, out-of-state members, and non-responsive members.

A. FINANCIAL POSITION

(I) ASSETS

Total cash was made possible by monthly funds received from the State of Tennessee.

Premiums receivable was eliminated due to ASO premiums not having a monthly withhold.

Health care receivables decreased primarily due to the change in non-admitted pharmacy rebate receivables. (All insured pharmacy rebate receivables are greater than 90 days old.)

The amounts receivable relating to uninsured accident and health plans increased due to ASO pharmacy rebate receivables.

(II) LIABILITIES

The estimate for unpaid claims has decreased substantially due to the termination of our insured arrangement effective June 30, 2002. TennCare Select and the Stabilization Plan are uninsured plans and thus no liability for unpaid claims is reported on the balance sheet for dates of service after June 30, 2002.

There is no longer a liability for a provider incentive settlement. Bonuses are only paid when there is a year-to-date underwriting gain. In 2002, there was no settlement accrual due to reported underwriting losses.

Provision under exigency is the payable to the State for two-thirds of the reported financial gain for dates of service 7/1/2000 – 6/30/2001. This provision was paid to the State in December 2002.

The liability for amounts held under uninsured accident and health plans includes ASO premium taxes payable and the payable for the TennCare Select and Stabilization Plan accrued pharmacy rebate due the State.

Management's Discussion and Analysis

(III) CAPITAL AND SURPLUS ACCOUNTS

Capital and surplus accounts are composed of common stock issuance (100% owned by BCBST), reserve requirements set by the State, and a net gain from operations, offset by non-admitted assets. In November 2002, VSHP returned to the Parent its remaining contributed capital.

B. RESULTS OF OPERATIONS

- (I) VSHP reported a net loss in the current year of \$12,466,504. Most of this loss can be attributed to the capped \$33M BlueCare East program.
- (II) BlueCare East received a capitated payment from the State. VSHP retained \$13.84 pmpm as an administrative fee with the remainder of the payment funding medical services and premium taxes. Losses greater than \$33M were the responsibility of the State.

TennCare Select and the Stabilization Plan receive an administrative fee from the State. The State is invoiced for claims on a paid basis.

C. CASH FLOW AND LIQUIDITY

- (I) VSHP will use funds received from the State to cover expenses.
- (II) No problems are anticipated with the ongoing collection of revenues from the State.
- (III) As of December 31, 2002, VSHP has not entered into any material commitments for capital expenditures.

LOOKING FORWARD

VSHP's contract with the State under both the Stabilization Plan and TennCare Select are effective through December 31, 2003.

Please be advised that these comments represent information furnished by management in good faith. As a result, management disclaims any responsibility for the accuracy of any forward-looking information supplied within this document.



SUPPLEMENTAL COMPENSATION EXHIBIT
(To be filed by March 1)

PART 1 - INTERROGATORIES

1. The reporting insurer is a member of a group of insurers or other holding company system:
If yes, do the below amounts represent 1) total gross compensation paid to each individual by or on behalf of all companies which are part of the group:
or 2) allocation to each insurer:

Yes[X] No[]
Yes[] No[X]
Yes[X] No[]
2. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity?

Yes[] No[X]
3. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes[] No[X]

PART 2 - OFFICERS AND EMPLOYEES COMPENSATION

1 Name and Principal Position	2 Year	Annual Compensation			
		3 Salary	4 Bonus	5 All Other Compensation	6 Totals
1.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
2.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
3.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
4.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
5.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
6.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
7.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
8.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
9.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....
10.	2002 .	.....	.....	.....	.....
.....	2001 .	.....	.....	.....	.....
.....	2000 .	.....	.....	.....	.....

PART 3 - DIRECTOR COMPENSATION

1 Name of Principal Position or Occupation	2 Compensation Paid or Deferred for Services as Director	3 All Other Compensation Paid or Deferred	4 Totals
9999999



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES
Due April 1

For the year ended December 31, 2002

Of The

Volunteer State Health Plan, Inc.

Address (City, State, Zip Code)

Chattanooga, TN, 37402

NAIC Group Code

0000

NAIC Company Code

00000

Employer's ID Number

62-1656610

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by stating the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1, 2, 3, 4, 11 and, if applicable 20 through 24. Answer each of interrogatories 5 through 19 (except 11) only if the reporting entity's aggregate holding in the gross investment category addressed in that interrogatory equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts. For Property Casualty blank, responses are to exclude Protected Cell Accounts.

1. State the reporting entity's total admitted assets as reported on Page 2 of this annual statement.

\$54,419,629

1	2	3
Investment Category	Amount	Percentage of Total Admitted Assets
2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans.		
2.01 Federated Prime Obligations (Class One Money Mkt Funds)	42,076,930	77.319
2.02		
2.03		
2.04		
2.05		
2.06		
2.07		
2.08		
2.09		
2.10		

NAIC Rating	1 Amount	2 Percent
3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.		
Bonds		
3.01 NAIC-1	19,994,049	36.741
3.02 NAIC-2		
3.03 NAIC-3		
3.04 NAIC-4		
3.05 NAIC-5		
3.06 NAIC-6		
Preferred Stocks		
3.07 P/RP-1		
3.08 P/RP-2		
3.09 P/RP-3		
3.10 P/RP-4		
3.11 P/RP-5		
3.12 P/RP-6		

Description	1 Amount	2 Percent
4. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31 - Derivative Instruments), including:		
4.01 Foreign-currency-denominated investments of		
4.02 Supporting insurance liabilities denominated in that same foreign currency of		
4.03 Excluding Canadian investments and currency exposure of		
4.04 Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatories 5 - 10	Yes[X] No[]	

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description		1 Amount	2 Percent
5.	Aggregate foreign investment exposure categorized by NAIC sovereign rating:		
5.01	Countries rated NAIC-1		
5.02	Countries rated NAIC-2		
5.03	Countries rated NAIC-3 or below		

Description		1 Amount	2 Percent
6.	Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:		
Countries rated NAIC-1:			
6.01	.....	
6.02	.....	
Countries rated NAIC-2:			
6.03	.....	
6.04	.....	
Countries rated NAIC-3 or below:			
6.05	.....	
6.06	.....	

Description		1 Amount	2 Percent
7.	Aggregate unhedged foreign currency exposure		

Description		1 Amount	2 Percent
8.	Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:		
8.01	Countries rated NAIC-1		
8.02	Countries rated NAIC-2		
8.03	Countries rated NAIC-3 or below		

NONE

Description		1 Amount	2 Percent
9.	Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:		
Countries rated NAIC-1:			
9.01	.....	
9.02	.....	
Countries rated NAIC-2:			
9.03	.....	
9.04	.....	
Countries rated NAIC-3 or below:			
9.05	.....	
9.06	.....	

Description - Include NAIC rating		1 Amount	2 Percent
10.	List the 10 largest non-sovereign (i.e. non-governmental) foreign issues:		
10.01	.....	
10.02	.....	
10.03	.....	
10.04	.....	
10.05	.....	
10.06	.....	
10.07	.....	
10.08	.....	
10.09	.....	
10.10	.....	

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description		1 Amount	2 Percent
11.	State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including:		
11.01	Canadian-currency-denominated investments of .....	.....	.....
11.02	Supporting Canadian-denominated insurance liabilities of .....	.....	.....
11.03	Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 12.	Yes[X] No[]	

Description		1 Amount	2 Percent
12.	Aggregate Canadian investment exposure.		
12.01	Canadian investments .....	.....	.....
12.02	Unhedged Canadian currency exposure .....	.....	.....

13. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).
Assets held in investments with contractual sales restrictions less than 2.5 % of the reporting entity's total admitted assets, therefore detail not required for interrogatory 13.

Yes[X] No[]

Description		1 Amount	2 Percent
13.01	Aggregate statement value of investments with contractual sales restrictions .....	.....	.....
Largest 3 investments with contractual sales restrictions:			
13.02	.....	.....	.....
13.03	.....	.....	.....
13.04	.....	.....	.....

14. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).
Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 14.

Yes[X] No[]

1 Investment Category	2 Amount	3 Percent
Assets held in equity interests:		
14.01
14.02
14.03
14.04
14.05
14.06
14.07
14.08
14.09
14.10

15. State the amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under Securities Exchange Commission (SEC) Rule 144a or SEC Rule 144 without volume restrictions.
Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 15.

Yes[X] No[]

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

1 Description		2 Amount	3 Percent
15.01	Aggregate statement value of investments held in nonaffiliated, privately placed equities		
Largest 3 investments held in nonaffiliated, privately placed equities:			
15.02	.....	
15.03	.....	
15.04	.....	

16. State the amounts and percentages of the reporting entity’s total admitted assets held in general partnership interests (included in other equity securities).

Assets held in general partnership interests less than 2.5 % of the reporting entity's total admitted assets, therefore detail not required for interrogatory 16.

Yes[X] No[]

1 Description		2 Amount	3 Percent
16.01	Aggregate statement value of investments held in general partnership interests		
Largest 3 investments with contractual sales restrictions:			
16.02	.....	
16.03	.....	
16.04	.....	

17. With respect to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entity’s total admitted assets held.

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatories 17 and 18.
Each of the 10 largest aggregate mortgage interests. The aggregate mortgage interest represents the combined value of all mortgages secured by the same property or same group of properties:

Yes[X] No[]

1 Type (Residential, Commercial, Agricultural)		2 Amount	3 Percent
17.01		
17.02		
17.03		
17.04		
17.05		
17.06		
17.07		
17.08		
17.09		
17.10		

Loan-to-Value		Residential		Commercial		Agricultural	
		1 Amount	2 Percent	3 Amount	4 Percent	5 Amount	6 Percent
18.	Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:						
18.01	Above 95%						
18.02	91% to 95%						
18.03	81% to 90%						
18.04	71% to 80%						
18.05	Below 70%						

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description		1 Amount	2 Percent
18.06	Construction loans .....	.....	.....
18.07	Mortgage loans over 90 days past due .....	.....	.....
18.08	Mortgage loans in the process of foreclosure .....	.....	.....
18.09	Mortgage loans foreclosed .....	.....	.....
18.10	Restructured mortgage loans .....	.....	.....

19. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for interrogatory 19.

Yes[X] No[]

1 Description		2 Amount	3 Percent
19.01	None .....	.....	.....
19.02	.....	.....	.....
19.03	.....	.....	.....
19.04	.....	.....	.....
19.05	.....	.....	.....

Description		At Year-End		Amount at End of Each Quarter		
		Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
20.	State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:					
20.01	Securities lending (do not include assets held as collateral for such transactions) .....	.....	.....	.....	.....	.....
20.02	Repurchase agreements .....	.....	.....	.....	.....	.....
20.03	Reverse repurchase agreements .....	.....	.....	.....	.....	.....
20.04	Dollar repurchase agreements .....	.....	.....	.....	.....	.....
20.05	Dollar reverse repurchase agreements .....	.....	.....	.....	.....	.....

Description		Owned		Written	
		1 Amount	2 Percent	3 Amount	4 Percent
21.	State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:				
21.01	Hedging .....	.....	.....	.....	.....
21.02	Income generation .....	.....	.....	.....	.....
21.03	Other .....	.....	.....	.....	.....

Description		At Year-End		Amount at End of Each Quarter		
		Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
22.	State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards:					
22.01	Hedging .....	.....	.....	.....	.....	.....
22.02	Income generation .....	.....	.....	.....	.....	.....
22.03	Replications .....	.....	.....	.....	.....	.....
22.04	Other .....	.....	.....	.....	.....	.....

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)

Description		At Year-End		Amount at End of Each Quarter		
		Amount 1	Percent 2	1st Qtr 3	2nd Qtr 4	3rd Qtr 5
23.	State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts:					
23.01	Hedging					
23.02	Income generation					
23.03	Replications					
23.04	Other					

1 Investments			2 Amount	3 Percent
24.	State the amounts and percentages of 10 largest in Invested Assets category included on the Summary for	NONE		
24.01	.....		
24.02	.....		
24.03	.....		
24.04	.....		
24.05	.....		
24.06	.....		
24.07	.....		
24.08	.....		
24.09	.....		
24.10	.....		



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with performing all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities which have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware, which by its nature would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender's collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

David Lee Deal, CPA
Name of Investment Officer

Signature of Investment Officer

Treasurer
Title of Signatory

Date



Statement of Actuarial Opinion

I, Betty Anne Neal, Vice President of Actuarial Services, am an employee of BlueCross BlueShield of Tennessee, Inc. ("BCBST") and a member of the American Academy of Actuaries. I meet the American Academy of Actuaries qualification standards for issuing an opinion on the unpaid claims liability of health insurers. I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities, and related items as shown in the annual statement of Volunteer State Health Plan, Inc. ("VHSP" or "the Company") as prepared for filing with the Tennessee Department of Insurance for the year ending December 31, 2002.

Item	Statement Reference	
	Page-Line	Amount
Claims Unpaid	3-1	\$ 1,556,385
Accrued medical incentive & bonus payments	3-2	\$ 0
Unpaid claims adjustment expenses	3-3	\$ 0
Aggregate policy reserves	3-4	\$ 0
Aggregate claim reserves	3-5	\$ 0
Experience rated refunds		\$ 0
Any actuarial liabilities in Page 3, Line 17		\$ 0

My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations, as I considered necessary. In making my examination, I have relied on listings and summaries of claims and other relevant data, and upon representations regarding the consistency of paid claims data and un-paid claims reported in the Underwriting and Investment Exhibit – Part 2B of the Annual Statement as prepared by Linda Snell, Manager of HMO Accounting. I have also relied on the accuracy and consistency of the electronic systems and databases used as the basis of my analysis as provided by John T. Morgan, Manager IM Finance.

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company’s assets and I have not formed an opinion as to the validity or value. The following opinion rests on the assumption that the Company’s December 31, 2002 statutory-basis unpaid claims liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

In my opinion, the amounts carried on the balance sheet on account of the items identified above for December 31, 2002:

- (a) Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial standards,
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) Meet the requirements of the insurance laws and regulations of the state of Tennessee,
- (d) Make a good and sufficient provision for all unpaid claims liabilities and other actuarial liabilities of the corporation under the terms of its contracts and agreements,
- (e) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- (f) Include appropriate provision for all actuarial reserves and related actuarial items that ought to be established.

The Underwriting and Investment Exhibit – Part 2B was prepared consistent with "Standard of Practice No. 3.6, "Follow-Up Studies", contained in the Actuarial standards of Practice No. 5, "Incurred Health and Disability Claims" as adopted by the Actuarial Standards Board of the American Academy of Actuaries in December 2000.

Statement of Actuarial Opinion

Actuarial methods, considerations, and analyses used in forming this opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

Considerable uncertainty and variability are inherent in estimating the unpaid claim liability. Accordingly, the subsequent development of the liability may not conform to the assumptions inherent in its determination and therefore may cause fluctuations in the ultimate amount of claims that are paid.

My review related only to the statutory-basis items identified herein, and I do not express an opinion on the Company’s financial statements taken as a whole. This opinion has been prepared solely for the Board and the management of the Company, for filing with insurance regulatory agencies of states in which the Company is licensed, and for the Blue Cross and Blue Shield Association and is not intended for any other purpose.

Betty Anne Neal, VP., F.S.A., M.A.A.A.
BlueCross BlueShield of Tennessee, Inc.



Audited Financial Report

Amended Statement Cover

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ANNUAL STATEMENT**

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ANNUAL DISKETTE TRANSMITTAL FORM AND CERTIFICATION
(HEALTH)

Name of Insurer Volunteer State Health Plan, Inc.

Date NAIC Group # 0000 FEIN 62-1656610 NAIC Company # 00000

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY
HELP TO IDENTIFY DISKETTE CONTENT

	March	April	June
1. Is this the first time you've submitted this filing? (Y/N)	N/A	N/A	N/A
2. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N)	N/A	N/A	N/A
3. Is this being re-filed due to changes to the data originally filed? (Y/N)	N/A	N/A	N/A
(IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)			
4. Other? (Y/N)	N/A	N/A	N/A
(If "yes" attach an explanation.)			

B. Additional comments if necessary for clarification:

C. Diskette Contact Person:
Phone:
Address:

D. Software Vendor:
Version:

E. Have material validation failures been addressed in the explanation file? Yes[] No[X]

F. The undersigned hereby certifies that, according to the best of his/her knowledge and belief, that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that annual statement information required to be contained on diskette is identical to the information in the 2001 Annual Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

(Signed) _____

Type Name and Title:

NAIC Company Code 00000
NAIC Group Code 0000

Reporting Entity Name

Domiciled in

Mailing Address:

Annual Statement Contact:

Volunteer State Health Plan, Inc.

Tennessee

801 Pine Street, Chattanooga, TN 37402

Linda Farah Snell, 2002

(State)

(423)763-3130

Linda_Snell@bcbst.com

(Name)

Telephone No.

E-mail Address

In the Matter of the Annual Statement
(Annual/Quarterly)

Filing Required for the Period Ending on the
31st day of December, 2002
Mailing Date:

AFFIDAVIT OF FILING
AND FINANCIAL
STATEMENT ATTESTATION

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity’s domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity’s domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)

(Printed Name)

President

(Signature)

(Printed Name)

Secretary

(Signature)

(Printed Name)

Treasurer

(Signature)

(Printed Name)

Witness

Subscribed and sworn to before me this

day of , 2003

(Notary Signature)
My Commission Expires: